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# Completing the 2006-07 FAFSA

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# Completing the 2006-07 FAFSA

Throughout this Web site, "you" and "your" refer to the student. "School" refers to the school, college, or postsecondary institution you attend (or are applying to).

## Introduction

This Web site explains how to complete the 2006-07 *Free Application for Federal Student Aid* (FAFSA). It explains the purpose of the FAFSA questions. This site also contains a section that provides answers to several frequently asked questions (FAQs). If you have additional questions about federal student aid or how to complete an electronic or paper application after you review this site, you can call the Federal Student Aid Information Center (FSAIC) at 1-800-4-FED-AID (1-800-433-3243) or contact your financial aid administrator (FAA). You can also go to the U.S. Department of Education's *Student Aid on the Web* site at **[www.studentaid.ed.gov](http://www.studentaid.ed.gov)**.

You can complete a FAFSA in the following ways:

- Online (*FAFSA on the Web*) at **[www.fafsa.ed.gov](http://www.fafsa.ed.gov)**
- On paper

In some cases, you might be able to apply directly through your school. You should check with the financial aid administrator at the school you are interested in attending to see if the school will assist you with your application. If you are using either *FAFSA on the Web* or the paper FAFSA, you can use the instructions on this Web site as a guide to help you complete the application process. If you are online and come to a question you need more help with, you can use the online help text for that question by selecting the "Need Help With this Page" link at the bottom of the Web page, or you can match the question number that is in parentheses behind the online question with the sequenced question number in this publication.

Applying online is generally faster and easier for two reasons:

- *FAFSA on the Web* has built-in help to guide you through the application process.
- The schools you list on your application will receive your processed information faster.

If you do not have a computer with Internet access at home, you can usually find Internet access at your local library, high school, or a financial aid office at a nearby campus. More than 80 percent of applications are submitted electronically.

## **Using a U.S. Department of Education Personal Identification Number (PIN) to sign your application**

You (and your parent, if you are a dependent student) should apply for a PIN. The PIN will serve as an identifier and as an electronic signature. It works much like the personal identification number you get from your bank.

You can use your PIN to electronically sign your original *FAFSA on the Web* application and to access and electronically sign your Renewal *FAFSA on the Web* application. If you are a dependent student (your dependency status is determined through a series of questions: 48-54), one of your parents must sign your application. Your parent can also apply for his or her own PIN and use that PIN to electronically sign your application. You are not required to have a PIN to complete and submit an original application, however, using a PIN is the fastest way to sign your application. You are required to have a PIN to access and sign a Renewal FAFSA. See the section **If You Applied Previously** below for further information on the Renewal FAFSA.

We encourage you (and your parent, if you are a dependent student) to apply for a PIN 5 to 10 days before you begin the application process. This will allow sufficient time to receive your PIN so that you can electronically sign your application by the time you complete it. You can apply for a PIN at the Department's secure Web site at **www.pin.ed.gov**. If you provide your e-mail address, you will receive an e-mail within 3 to 5 days with a secure link to retrieve your PIN. Once you receive the PIN e-mail notice from the U.S. Department of Education, you will have 14 days to retrieve your PIN. You will be allowed to retrieve and view your PIN one time. If you do not retrieve your PIN in 14 days, we will deactivate the secure link and will send you PIN by postal mail to the address we have on file for you. Both Web and paper FAFSA filers may provide their e-mail addresses in 2006-07 by completing Question 13. Provide your e-mail address if you wish to receive your student financial aid correspondence by e-mail. Otherwise, leave Question 13 blank and you will receive all of your correspondence by postal mail.

As previously stated, *FAFSA on the Web* applicants are not required to have a PIN to apply. If you do not have a PIN to electronically sign your application, you can print, sign, and mail in a signature page. If you choose to submit your application and mail in a signature page, a PIN will automatically be sent to you, by e-mail or by postal mail, if we determine that you do not already have a PIN assigned to you.

If you have any questions about the PIN process, you should either visit the PIN Web site at **www.pin.ed.gov** or call the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243).

### **If you applied previously**

If you applied for aid in 2005-06, you might not have to complete an entire FAFSA for 2006-07. Instead, you might be able to use a Renewal FAFSA, which is available on the Web **www.fafsa.ed.gov**. The Renewal FAFSA is pre-filled with data that usually hasn't

changed from the previous year (such as the demographic information). Financial information that typically changes from year to year (adjusted gross income, taxes paid, asset information, etc.) is not pre-filled and you will need to provide the appropriate financial data. Certain renewal applicants will automatically receive PINs:

- Graduate students and fifth-year undergraduates
- Students who filed using *FAFSA on the Web* or *Corrections on the Web* in 2005-2006

Students who fall into either of the above categories and who provided a valid e-mail address will receive an e-mail with a link to their PIN. If they did not provide an e-mail address or the e-mail address they provided was invalid, they will receive a PIN mailer.

You also can obtain more detailed information on how to use the PIN from [www.pin.ed.gov](http://www.pin.ed.gov).

## **General Information**

### **Why complete a FAFSA?**

The U.S. Department of Education uses the data on your FAFSA to calculate an Expected Family Contribution (EFC). The EFC demonstrates your family's financial strength to pay for education after high school. Your school will subtract your EFC (plus any Pell Grant you receive) from your total cost of attendance. The result is your financial need.

The EFC is not the amount of money that your family is expected to pay for your education, nor is it the amount of financial aid that you will receive.

Your application results are transmitted to the school(s) listed on your FAFSA, and the school(s) use the EFC amount to determine the amount of financial aid that you are eligible to receive. Many states and schools also use the FAFSA data to award aid from their programs. Some states and schools also may require you to complete additional applications.

Completing and submitting a FAFSA is free, whether you file electronically or on paper. In fact, charging students and/or parents a fee for completing and/or submitting the FAFSA is prohibited by law.

### **Federal student aid programs**

There are three categories of federal student aid: grants, loans, and work-study. Grants provide financial aid that does not have to be repaid. Loans provide borrowed money that must be repaid with interest. Work-study allows students to earn money while enrolled to help pay for education expenses.

Your financial aid "package" – the aid your school awards you – is likely to include funds from the federal student aid programs. Note that not all schools participate in all of the federal student aid programs administered by the U.S. Department of Education. The major programs are described below:

- **Federal Pell Grants** are available to undergraduate students only (with one minor exception for teacher certification students). Grants do not have to be repaid. For the 2006-07 award year (July 1, 2006 to June 30, 2007), grants will range from \$400 to \$4,050.
- **Direct Stafford Loans and Federal Family Education Loan (FFEL) Stafford Loans** are student loans that must be repaid and are available to both undergraduate and graduate students. If your school participates in the William D. Ford Federal Direct Loan (Direct Loan) Program, the federal government provides the funds for your Direct Stafford Loan through your school. If your school participates in the FFEL Program, a private lender provides the funds for your FFEL Stafford Loan. First-year undergraduates are eligible for loans up to \$2,625. Amounts increase for subsequent years of study, with higher amounts for graduate students. The interest rate is variable but never exceeds 8.25 percent. Interest rates are determined in June of each year. From July 1, 2005 through June 30, 2006 the interest rate for a Stafford Loan in repayment was 5.30 percent. If you had a loan first disbursed before July 1, 1998, your rate might be different.

If you qualify (based on need) for a **subsidized** Stafford Loan, the government will pay the interest on your loan until the date your repayment is scheduled to begin and during any deferment periods. You are responsible for paying all of the interest that accrues on an **unsubsidized** Stafford Loan.

- **FFEL PLUS Loans and Direct PLUS Loans** are unsubsidized loans made to parents. **FFEL PLUS Loans** are made through private lenders; **Direct PLUS Loan** funds are provided by the federal government through the school. If you are an independent student or a dependent student whose parents cannot get a PLUS Loan, you are eligible to borrow additional Stafford Loan funds. The PLUS Loan interest rate is variable but never exceeds 9 percent. Interest rates are determined in June of each year. From July 1, 2005 through June 30, 2006 the interest rate for a PLUS Loan in repayment was 6.10 percent. If your parents had PLUS Loans first disbursed before July 1, 1998, their rate might be different.
- **Campus-Based Programs** are administered by participating schools. There are three of these programs. **Federal Supplemental Educational Opportunity Grants** are grants available for undergraduates only; awards range from \$100-\$4,000. **Federal Work-Study** provides jobs to undergraduate and graduate students, allowing them to earn money to help pay education expenses. Federal Perkins Loans are low-interest (5 percent) loans that must be repaid; the maximum annual loan amount is \$4,000 for undergraduate students and \$6,000 for graduate students.

The above programs provide over \$68 billion in aid to help more than 8.9 million recipients and their families pay for postsecondary education. Your financial aid package also may include aid from the **Leveraging Educational Assistance Partnership (LEAP) Program**, which assists states in providing grants to eligible students for postsecondary study. States may use a percentage of their LEAP funds to provide work-study assistance.

### **Am I eligible for federal student aid?**

In general, to receive aid from the federal student aid programs, you must meet the following requirements:

- Be a citizen or eligible noncitizen of the U.S.
- Have a high school diploma, General Education Development (GED) certificate, pass an approved "ability to benefit" test, or have completed a high school education in a home school setting that is recognized as a home school or private school under state law.
- Enroll in an eligible program as a regular student seeking a degree or certificate.
- Be registered with the Selective Service if required (in general, if you are a male age 18 through 25).
- Meet satisfactory academic progress standards set by your school
- Certify that you are not in default on a federal loan or owe money on a federal grant.
- Certify that you will use federal student aid only for educational purposes.

You might not be able to receive federal student aid if you've been convicted under federal or state law of selling or possessing illegal drugs. To find out your status, call our Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243) for information or go to **[www.fafsa.ed.gov](http://www.fafsa.ed.gov)** and scroll down to and select "Before Beginning a FAFSA" on the left-hand side of the page. Once at that site, scroll down to and select on the left side "Drug Conviction Worksheet."

### **Sources of Information**

For information on any federal student financial aid programs, you may call the Federal Student Aid Information Center (FSAIC) at

- 1-800-4-FED-AID (1-800-433-3243) - toll free, or
- 1-800-730-8913 (TTY) - toll free for the hearing impaired.

The FSAIC provides the following services:

- Helping you complete FAFSA on the Web or Corrections on the Web
- Helping you complete the paper FAFSA
- Answering questions about the PIN
- Checking the processing status of the FAFSA



- Mailing a duplicate Student Aid Report (SAR)
- Changing your paper address and e-mail address
- Changing the schools you listed on your application
- Explaining the SAR and how to make corrections
- Checking on whether a school participates in federal student aid programs
- Explaining who is eligible for federal student aid
- Explaining how federal student aid is awarded and paid
- Explaining the verification process
- Sending requested publications

The FSAIC is not able to do the following:

- Make policy
- Expedite the federal student aid application process
- Discuss your federal student aid file with an unauthorized person
- Influence an individual school's financial aid policies

You may also access the Department's *Student Aid on the Web* site, which provides general information about federal student aid and access to many of its publications, brochures, and fact sheets. The main site address for information about the federal student aid programs is **[www.studentaid.ed.gov](http://www.studentaid.ed.gov)**.

*Funding Education Beyond High School: The Guide to Federal Student Aid* combines the accessibility of *Funding Your Education* with the depth of information previously provided in *The Student Guide*. It explains the federal student financial aid programs in detail and will be available in English, Spanish, and Braille. It can be found at **[http://www.studentaid.ed.gov/students/publications/student\\_guide/2006-2007/index.html](http://www.studentaid.ed.gov/students/publications/student_guide/2006-2007/index.html)**.

*Repaying Your Student Loans*, available in English, Spanish, and Braille, provides specific information to borrowers about their rights and responsibilities in managing their student loan repayment and can be found at **[www.studentaid.ed.gov/repayingpub](http://www.studentaid.ed.gov/repayingpub)**.

*The Student Aid Audio Guide* is an audio recording available on compact disc for visually impaired or blind students. It highlights the information contained in *The Student Guide* by simulating a conversation between a customer service representative at the FSAIC and a student. You can also find it at **[www.studentaid.ed.gov/audioguide](http://www.studentaid.ed.gov/audioguide)**.

*The EFC Formula Worksheets* are a set of forms that explain the need analysis calculation that produces the EFC.

You can obtain a copy of any of these publications at no charge from

Federal Student Aid Information Center  
P.O. Box 84  
Washington, DC 20044  
1-800-4-FED-AID  
1-(800-433-3243)

## **Frequently Asked Questions**

### **Q. Who can assist me with any FAFSA questions I might have?**

- A. You can call the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243) with questions about the *FAFSA on the Web* or paper application process or about federal student financial aid in general. In addition, *FAFSA on the Web* filers can get help at [www.fafsa.ed.gov/faq001.htm](http://www.fafsa.ed.gov/faq001.htm).

### **Q. Why does the Department of Education ask for income information from the year before I go to school?**

- A. Studies have consistently shown that verifiable income tax information from the base year (2005 for the 2006-07 award year) is more accurate than projected (2006) information when determining family financial strength in calculating the Expected Family Contribution (EFC).

### **Q. What should I (the student) do if my family has special circumstances that aren't mentioned in the application?**

- A. If you or your family has unusual circumstances (such as loss of employment, loss of benefits, death, or divorce), complete the FAFSA to the extent that you can and submit it as instructed. Then talk to the financial aid administrator (FAA) at the school you plan to attend. If your family's circumstances have changed from the base year (2005), the FAA may decide on a case-by-case basis to adjust data elements used to calculate your EFC. Any adjustment the FAA makes must relate only to your individual circumstances, and not to any conditions that exist for a whole class of students. The FAA's decision is final, and cannot be appealed to the U.S. Department of Education.

### **Q. I'm not sure if I want to take out a student loan or work during the school year. What should I enter for the questions asking if I am interested in student loans or work-study?**

- A. Some schools use the answers about loans and work-study on the FAFSA to construct a financial aid package for you. Answering "Yes" to either question does not obligate you to take out a loan or accept a work-study position. It usually just means that the school will offer you a loan(s) or work-study as part of your aid package. If you do

indicate on the application that you are interested in either a loan or work-study, you can change your mind and not accept the loan(s) or work-study later. Keep in mind that if you answer "No" to the work-study question when you apply—and subsequently change your mind—a work-study job may not be available if all of the work-study funds at the school have been awarded to other students.

**Q. If I live with an aunt, uncle, or grandparent, should that relative's income be reported instead of parental information?**

- A. Only if the relative is your adoptive parent. Dependent students can be considered dependent only on their parents and must report only parental information on the FAFSA. You must report (in Worksheet B) any cash support given by relatives, but not in-kind support (such as food and housing) from relatives.

**Q. What if I live with a girlfriend or boyfriend who pays the rent?**

- A. You should not report any information for a friend or roommate unless the two of you are actually married or are considered to have a common-law marriage under state law. You must report (in Worksheet B) any cash support given by the friend as untaxed income but should not report in-kind support (such as food and housing). You would have to report as untaxed income on Worksheet B the rent the roommate paid on your behalf.

**Q. When is student aid considered income?**

- A. Generally, grants and scholarships that do not exceed tuition, fees, books, and required supplies are not considered to be taxed or untaxed income. If you have an ROTC scholarship, a private scholarship, or any other kind of grant or scholarship, that grant or scholarship will be considered as an available resource by the financial aid office when packaging aid.

You should report grants and scholarships you reported on your tax return. You should then report these items as exclusions from income on Worksheet C.

**Q. What's the difference between cash support and in-kind support?**

- A. Cash support is support given either in the form of money or money that is paid on your (the student's) behalf. You must report cash support as untaxed income. Thus, if a friend or relative gives you grocery money, it must be reported as untaxed income on Worksheet B. If the friend or relative pays your electric bill or part of your rent, you must also report those payments.

Examples of in-kind support are free food or housing that a family receives, usually in exchange for work or services. You usually don't report such support.

However, the application does require you to report the value of housing a family receives as compensation for a job on Worksheet B. The most common example is free housing or a housing allowance provided to military personnel or clergy, which is required to be reported on Worksheet B.

**Q. I am now a U.S. citizen but have an Alien Registration Number (A-Number). How do I indicate this on the application?**

A. Indicate that you are a U.S. citizen; do not provide your A-Number.

**Q. I'm going to get married this summer. How do I answer the question that asks if I am married?**

A. Answer "Yes" to Question 50 if you are married on the day you complete the FAFSA. Otherwise, answer "No." The FAFSA is a snapshot of your status the day it is completed; it does not forecast changes such as marriage. If you indicate on Question 50 of the FAFSA that you are single by answering "No" and then marry after you originally file, you cannot change your answer to Question 50. When you apply in a subsequent year and remain married, you will file as a married student.

**Q. If I'm an emancipated minor, am I now independent?**

A. The status of emancipated minor is not recognized by the U.S. Department of Education for financial aid purposes; such a student must meet one of the other listed criteria in Questions 48-54 to meet the definition of an independent student.

**Q. If I am in the National Guard and was called to active duty or am an active duty military member, am I considered a veteran for purposes of filling out the FAFSA?**

A. If you were a member of the National Guard called to active duty for purposes other than training or were a Reservist called to active duty for purposes other than training and were released under a condition other than dishonorable, you are considered a veteran for FAFSA purposes.

If you are on active duty in the Army, Navy, Air Force, Marines or Coast Guard, but will be a veteran by June 30, 2007, you are considered a veteran for FAFSA purposes. If your active duty will continue past June 30, 2007, however, you are not considered a veteran for FAFSA purposes.

**Q. I'll be filing a tax return this year but I probably won't get around to it until April. How should I answer the financial questions? Should I wait to fill out this form until after I've filed my tax return?**

A. Ideally, you should complete a FAFSA after you've done your tax return, but don't wait until April. Many colleges award aid on a first-come, first-served basis. Also,

you may not be eligible for state aid if you wait until April to submit your FAFSA. Many state aid deadlines are early in the calendar year (calendar year 2006 for the 2006-07 award year. If you haven't submitted your tax return, you should calculate your adjusted gross income (AGI) and taxes paid using the instructions for IRS Form 1040. You can get the instructions and the form at a public library or download them in Portable Document Format (PDF) from [www.irs.gov/formspubs/index.html](http://www.irs.gov/formspubs/index.html).

Keep in mind that if you submit your application before you complete a tax return, you may need to make corrections later if your income or tax information isn't accurate. You will also need to return any federal student aid you received based upon incorrect information.

You might have to provide your college with a copy of your completed tax return (assuming you're required to file one) before you receive federal student aid.

**Q. If my parents are divorced, whose information do I need?**

- A. Report the information of the parent with whom you lived the most during the 12 months preceding the date you completed the FAFSA. It does not make a difference which parent claims you as a dependent for tax purposes. If you did not live with either parent or lived equally with each parent, the parental information must be provided for the parent from whom you received the most financial support during the preceding 12 months or the parent from whom you received the most support the last time support was given.

**Q. I am entering financial information for my mother and stepfather on the FAFSA. Should I give my father's Social Security number (SSN) and last name, or my stepfather's?**

- A. You should provide the SSN and last name of the same person or people for whom you are reporting financial information. In this case, provide the SSNs and names of your mother and stepfather.

**Q. What should I do if my parent with whom I live is remarried and my stepparent refuses to supply information?**

- A. If you are a dependent student and your parent is remarried, the stepparent's information must be included or you will not be considered for federal student financial aid. If you believe that your situation is unique or unusual other than the stepparent's simple refusal to provide the requested information, you should discuss the matter further with your financial aid administrator.

**Q. How does a family decide who should be counted in the household size?**

- A. Anyone in the immediate family who receives more than 50% support from a dependent student's parents or an independent student and spouse may be counted in

the household size even if that person does not reside in the house. For example, a sibling who is over 24 but still receives the majority of his/her support from the parents can be included. Siblings who are dependent (as defined by the FAFSA) as of the date you apply for aid are also included, regardless of whether they receive more than 50% of their support from the parents. Any other person who resides in the household and receives more than 50% support from the parents may also be counted, as long as they will continue to reside with your parents and the support is expected to continue through June 30, 2007. An unborn child who will be born during the 2006-07 award year may also be counted in the household size.

Household size and tax exemptions are not necessarily the same. Exemptions look at the previous year or tax year and household size refers to the school year for which the student is applying for aid.

**Q. My parents separated four months ago. I live with my mother. My parents filed a joint tax return and claimed me as an exemption. Do I report both their incomes, or just my mother's?**

A. Report only your mother's income and asset information because you lived with her the most during the past 12 months. Use a W-2 Form or other record(s) to determine her share of the income reported and taxes paid on the tax return.

**Q. If I (the student) am separated but filed a joint tax return, how is the information reported?**

A. You should give only your portion of the exemptions, income, and taxes paid.

**Q. Who qualifies to be counted in the number in college?**

A. Any person (other than your parents) who is counted in the household and will be attending any term of the academic year at least half time qualifies to be counted. The person must be working toward a degree or certificate leading to a recognized education credential at a postsecondary school eligible to participate in the federal student aid programs. You (the student) need not be enrolled half time to be counted in the number in college.

**Q. When does my school have to receive the results from my application?**

A. Your school must have your information by your last day of enrollment in 2006-07, or by September 17, 2007, whichever is earlier. If your school has not received your application information electronically, you must submit your paper SAR to the school by the deadline. Either the electronic record, the Institutional Student Information Record (ISIR), or the paper SAR that has been processed by the Department must have an official EFC. Once the school receives your information, it will use your EFC to determine the amount of your federal grant, loan, or work-study award, if you are

eligible. The FAA will send you a financial aid award letter explaining the aid the school is offering.

**Q. What if I don't get a Student Aid Report (SAR) Acknowledgement or SAR, or I need another copy of that form?**

- A. If you do not receive your SAR Acknowledgement or SAR within two-to-three weeks after submitting your application, call the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243). If you have a touch-tone phone, you can use the automated system to find out whether your application has been processed or to request duplicate copies of your report. You will need to provide your Social Security number and the first two letters of your last name. You can also check the status of your FAFSA and print a copy of your SAR at [www.fafsa.ed.gov](http://www.fafsa.ed.gov).

If you apply using *FAFSA on the Web*, you will receive a confirmation page with a confirmation number after you select "Submit My FAFSA Now." This confirmation guarantees that your application has been received by the U.S. Department of Education, and the confirmation number can be used by the Federal Student Aid Information Center to track your application if necessary. For more information on the SAR and SAR Acknowledgement, see "The Application Process."

**Q. What if I think somebody is misusing federal student aid funds?**

- A. If you have reason to suspect fraud, waste, or abuse involving federal student aid funds, you should call the U.S. Department of Education's Inspector General's toll-free hotline at:

1-800-MIS-USED (1-800-647-8733)

**The Privacy Act**

The U.S. Department of Education (the Department) uses the information that you provide on the FAFSA to calculate an Expected Family Contribution (EFC). The EFC is used by eligible and participating schools that you select or list on your FAFSA to determine the types and amounts of federal student aid that you are eligible to receive. Section 483 and 484 of the Higher Education Act (HEA) of 1965, as amended, provide the Department the authority to ask you and your parents the questions on the FAFSA and to collect the Social Security numbers of you and your parents. We use your Social Security number to verify your identity and retrieve your records, and we may request your Social Security number again for those purposes.

State and institutional student financial aid programs may also use the information that you provide on the FAFSA to determine if you are eligible to receive state and institutional aid. Therefore, the Department will disclose the information that you provide on this form to each institution you list in Questions 86, 88, 90, 92, 94, and 96, state

agencies in your state of legal residence, and the state agencies of the states in which the colleges that you list in Questions 86, 88, 90, 92, 94, and 96 are located.

If you are applying solely for federal aid, you must answer all of the following questions that apply to you: 1-9, 14-16, 18, 21-22, 25-26, 31-36, 38-45, 48-67, 70-74, 76-85, and 99-100. If you do not answer these questions, you will not receive federal aid.

Without your consent, the Department may disclose information that you provide to entities under a published "routine use." Under such a routine use, we may disclose information to third parties we have authorized to assist us in administering our programs; to other federal agencies under computer-matching programs, such as those with the Internal Revenue Service, Social Security Administration, Selective Service System, Department of Homeland Security, and Veterans Affairs; to your parents or your spouse; and to members of Congress if you ask them to help you with student aid questions.

If the federal government, the U.S. Department of Education, or an employee of the U.S. Department of Education is involved in litigation, the Department may send information to the Department of Justice, or a court or adjudicative body, if the disclosure is related to financial aid and certain conditions are met. In addition, the Department may send your information to a foreign, federal, state, or local enforcement agency if the information that you submitted indicates a violation or potential violation of law, for which that agency has jurisdiction for investigation or prosecution. Finally, the Department may send information regarding a claim that is determined to be valid and overdue to a consumer reporting agency. This information includes identifiers from the records; the amount, status, and history of the claim; and the program under which the claim arose.

### **The Paperwork Reduction Act of 1995**

The Paperwork Reduction Act of 1995 says that no one is required to respond to a collection of information unless it displays a valid OMB control number, which for the FAFSA is 1845-0001. The time required to complete the paper FAFSA is estimated to be one hour, including time to review instructions, search data resources, gather the data needed, and complete and review the information collection. If you have comments about this estimate or suggestions for improving the form, please write to

U.S. Department of Education  
Washington, DC 20202-4700



# The Application Process

## Getting started

First, you will need to decide whether you will file electronically on *FAFSA on the Web* or complete a paper FAFSA.

To complete *FAFSA on the Web*, go to **www.fafsa.ed.gov** and click on "Before Beginning a FAFSA." You will be guided step-by-step through the preliminary application process by following the time saving suggestions below:

- Print the Checklist of Documents Needed to Complete the FAFSA (optional).
- Gather the documents you need.
- Print and complete the *FAFSA on the Web Worksheet* (optional).
- Apply for a PIN if you do not have one.
- Parents of dependent students apply for a PIN if they do not have one.
- Plan how to sign your FAFSA (using a PIN or a signature page).
- Note eligibility requirements.
- Note important deadlines.

If you do not sign your *FAFSA on the Web application* electronically with a PIN, you, and your parents, if you are a dependent student, will need to print out, sign, and mail in a signature page with the proper signatures within 14 days. Submitting a signature page will increase the time it takes to

- Process your application, or
- Transmit your application data to the schools you listed on your application.

To complete a paper FAFSA, first obtain an application from the school you plan to attend, a high school counselor, your local library, or by contacting the FSAIC at 1-800-4-FED-AID (1-800-433-3243). If you choose to fill out a paper form, use a pen with black ink. Also, dollar amounts should be rounded to the nearest whole dollar. Dates must be reported in numbers in the boxes provided, and numbers below 10 should have a zero in front. (For instance, April would be reported as 04.) Print clearly in capital letters and skip a space between words.

Also, do not leave any questions blank either on the Web version or paper version unless told to do so.

As you complete the FAFSA, you — and your parents, if applicable — should have the following records available to help you answer questions on the application:

- Your Social Security card
- Your driver's license
- Your Permanent Resident Receipt Card (if applicable)
- Your W-2 forms and other 2005 records of money earned

- Your 2005 income tax return (see the instructions for Questions 32-47 if you have not yet completed your tax return)
- Records of 2005 untaxed income including Social Security, Temporary Assistance to Needy Families, welfare, and veterans benefits
- Records of child support paid
- Records of taxable earnings from Federal Work-Study or other need-based work programs
- Records of student grant, scholarship, and fellowship aid, including AmeriCorps awards, that was included in your (or your parents') AGI
- Current stock, bond, and other investment records
- Current business and farm records
- Current bank statements
- A dependent student (as determined in Questions 48-54), should have all the records listed above from his or her parents except for their driver's licenses.

Be sure to read the information on the Privacy Act and use of your Social Security number.

### **Submitting your completed application**

Double-check your answers to make sure they are complete and accurate. Be sure you have provided the necessary signatures electronically or on paper.

If you are applying electronically, follow the online instructions in Step 6 to print a copy of your applications for your records. Continue to the end of the application, which is Step 9, and submit your application. If you are applying on paper, make copies of your completed application for your files before you mail it. Also keep any worksheets you completed. Your school may ask to see them later. Do not put letters, tax forms, Worksheets A, B, and C, or any extra materials in the envelope provided. **They will be destroyed.** Make sure that you put any important documents such as tax forms or letters in a secure file so you can refer to them in the future if you need them. When you get ready to mail in your completed application, put the form (pages 3 through 6) in the envelope provided inside the paper application. If no envelope is provided, mail the FAFSA to:

Federal Student Aid Programs  
P.O. Box 4691  
Mt. Vernon, IL 62864-0059

### **What happens after you apply**

After receiving your completed application, the Department's processor will analyze your FAFSA information and, using a formula established into law by Congress, calculate an **Expected Family Contribution (EFC)** for you. The results of your application will be sent to the schools you list on your application and to you in the form of a *Student Aid Report (SAR)* or a *SAR Acknowledgement*. If you have a valid e-mail address on file, you

will receive an e-mail that provides you with a link to a Web site that will allow you to check and print your SAR data online. We will send this e-mail if

- Your name, date of birth, and Social Security number match Social Security Administration records;
- You and your parents have signed the application or SAR; and
- Your application record did not result from a subsequent application.

If you do not meet all of the conditions above, you will receive your application results in the mail: A *Student Aid Report* (SAR) if you apply using a paper FAFSA, or a *SAR Acknowledgement* if you use *FAFSA on the Web*.

If you need to make changes to your application information, you can make them electronically through *Corrections on the Web* using your PIN, or return the corrected and signed paper SAR for reprocessing. Note, however, that you cannot make any changes to income or asset information if that information was correct at the time you submitted your original application. Such information represents a "snapshot" of your family's financial strength and cannot be updated.

### **When to expect the results**

You can always check the status of your application by calling 1-800-4-FED-AID (1-800-433-3243) or by accessing **www.fafsa.ed.gov** and clicking on "Check status of a submitted FAFSA and print a Signature Page." Please wait at least 24 hours after you submit your FAFSA before checking its status electronically. By applying electronically and providing your e-mail address, you will receive information about your application within a few days after it is processed. If you applied electronically but did not provide an e-mail address, you will receive a *SAR Acknowledgement* in the mail within two weeks of processing. If you applied on paper and did not provide an e-mail address, you will receive a SAR in the mail within three weeks of processing.

### **Key application dates and deadlines**

The application processor must receive your completed application no later than July 2, 2007. Your school must have your correct and complete application information by **your last day of enrollment during the 2006-07 year or September 17, 2007, whichever comes first**. There are no exceptions to these dates.

Note also that various state and school deadlines may apply to you. These deadlines are often early in the calendar year (2006 for the 2006-07 award year). Check with your school's financial aid office to make sure you are aware of—and are able to meet—all student financial aid deadlines. Therefore, you should apply as soon after January 1, 2006 as possible. State deadlines are listed under "Check deadlines" on the *FAFSA on the Web* site, on the front of the new *FAFSA on the Web Worksheet*, and on the front of the paper FAFSA.

## Receiving student aid

Aid from the federal student aid programs will be paid to you through your school. The school will notify you of your aid package. Your aid awards will likely be disbursed each payment period (semester, quarter, trimester, etc.) Typically, your school will first use the aid to pay tuition and fee charges and room and board, if provided by the school. Any remainder will be paid to you for your other education-related expenses.

To meet your financial need, each school you list on the FAFSA will send you a notice of the types and amounts of aid you're eligible for. **Financial need** is the difference between your school's **cost of attendance** (including living expenses), as calculated by your school, and your EFC.

The amount of your financial aid award will be affected by whether you're a full-time or part-time student and whether you attend school for a full academic year or less.

If you believe that you have special circumstances that should be taken into account in determining your financial need, contact the financial aid administrator at the school awarding your aid. Special circumstances might include unusual medical or dental expenses or a significant change in income from one year to the next. **Please note that the financial aid administrator's decision is final and cannot be appealed to the U.S. Department of Education.**

## The Application Questions

### Overview

The next section will guide you step-by-step through the application questions. If you are using *FAFSA on the Web*, you will be asked to either key in your answers or use the drop-down-menus to select your answers as you progress through the Web site. If you are filing a paper FAFSA, tear out the four-page application and use the remaining instruction pages as a guide as you fill in the answers to each question.

If you are completing *FAFSA on the Web*, you will notice that some of the questions do not appear in the same numerical order as they do on the paper FAFSA. For reference, the number of the paper FAFSA question is shown in parentheses behind the online question.

*FAFSA on the Web* offers the *FAFSA on the Web Worksheet*. For ease of data entry into the *FAFSA on the Web* site, we recommend that you print a copy of this worksheet and answer the questions on the worksheet prior to submitting the data on *FAFSA on the Web*.

*FAFSA on the Web filers* may be able to skip some questions based on their answers to earlier questions. You might qualify if, for example, you (and your parents, if you are a dependent student) don't have income over a certain amount **and** filed, or were eligible to file, an IRS Form 1040A or 1040EZ (that is, not required to file an IRS Form 1040). You should go to **www.fafsa.ed.gov** to find out if you can skip certain questions. Note that even if you do qualify, some states and schools require this information anyway.

## Questions 1-31 (All applicants must complete)

**Purpose:** These questions collect personal identification information (name, telephone number, address, Social Security number, and so on). Also included is a question about citizenship status because you must be a U.S. citizen or **eligible noncitizen** to receive federal student aid.

### Questions 1-13

**1-3. Name.** The Department matches each name and Social Security number (SSN) with the Social Security Administration (SSA). Therefore, the name provided here should match the name on your Social Security card. If you use a name (such as a nickname) other than the name on your Social Security card, you will be asked to correct the inconsistency, and there might be a delay in the awarding of your aid.

**4-7. Permanent mailing address.** You must give a permanent home mailing address (not a school or office address).

An incarcerated student may use his or her school's administrative address. If such a student uses a school's administrative address, the school's financial aid administrator (FAA) must include a letter with the FAFSA indicating that the student is incarcerated and is therefore using the school's address.

Use the State/Military Abbreviations list when entering your state. See the list below:

AL	Alabama	IA	Iowa	NC	North Carolina	WI	Wisconsin
AK	Alaska	KS	Kansas	ND	North Dakota	WY	Wyoming
AS	American Samoa	KY	Kentucky	OH	Ohio	Military:	
AZ	Arizona	LA	Louisiana	OK	Oklahoma		AA
AR	Arkansas	ME	Maine	OR	Oregon		AE
CA	California	MD	Maryland	PA	Pennsylvania		AP
CO	Colorado	MA	Massachusetts	PR	Puerto Rico	CN	Canada
CT	Connecticut	MI	Michigan	RI	Rhode Island	FM	Federated
DE	Delaware	MN	Minnesota	SC	South Carolina		States of
DC	District of Columbia	MS	Mississippi	SD	South Dakota		Micronesia
		MO	Missouri	TN	Tennessee	MH	Marshall
FL	Florida	MT	Montana	TX	Texas		Islands
GA	Georgia	NE	Nebraska	UT	Utah	MX	Mexico
GU	Guam	NV	Nevada	VT	Vermont	MP	Northern
HI	Hawaii	NH	New Hampshire	VI	Virgin Islands		Mariana
ID	Idaho	NJ	New Jersey	VA	Virginia		Islands
IL	Illinois	NM	New Mexico	WA	Washington	PW	Palau
IN	Indiana	NY	New York	WV	West Virginia		

Below are the Canadian Provinces:

Alberta	AB
British Columbia	BC
Manitoba	MB
New Brunswick	NB
Newfoundland	NF
Newfoundland/Labrador	NL
Nunavut	NU
Northwest Territories	NT
Nova Scotia	NS
Ontario	ON
Prince Edward Island	PE
Quebec	PQ, QC
Saskatchewan	SK
Yukon	YT

**8. Social Security number.** Generally, you must have an SSN to be eligible for federal student financial aid. If you submit a FAFSA without an SSN, your FAFSA will be returned to you unprocessed. **The Privacy Act** statement gives information about how your SSN may be used.

To apply for an SSN or to get a replacement Social Security card if yours has been lost or stolen, contact your local Social Security office. For additional information (in English or Spanish), you can call the SSA at 1-800-772-1213 (1-800-325-0778 - TTY)—or go to its Web site at **www.ssa.gov**.

The **one exception to the SSN requirement** is for students from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau. If you are from one of these areas you are not required to have an SSN, and you should leave Question 8 blank. Mail the completed FAFSA to:

Federal Student Aid Programs  
P.O. Box 4691  
Mount Vernon, IL 62864-0059

**9. Your date of birth.** Enter in the appropriate boxes of the paper FAFSA the month, day, and year in which you were born (formatted as MMDDYYYY). The "19" part of the year is pre-printed on the paper FAFSA. Do not use dashes on either the Web or paper applications. For example, if you were born on April 1, 1980, you would enter 04011980.

**10. Your permanent telephone number.** Enter your permanent telephone number where you can be contacted. Follow the instructions showing how to enter the number. For example, parentheses and dashes are used on the paper FAFSA: (202) 555-1212; however, on *FAFSA on the Web*, you would enter 2025551212.

**11-12. Driver's license number and state.** You must provide your driver's license number (if any). If you do not have a driver's license, leave Questions 11 and 12 blank.

**13. E-mail address.** If you enter your e-mail address here the processor will be able to send you information electronically, such as notification that your FAFSA was received. The processor will also be able to send you e-mails with links to PINs and SAR data on the Internet. By providing your e-mail address, the processor will be able to send you this information within a few days of processing. Using the paper process can take up to four weeks.

### Questions 14-31

**14. Citizenship status.** You can receive federal student financial aid only if you are a U.S. citizen or an eligible noncitizen. If you have changed from a noncitizen to a citizen and have not informed the SSA, contact the SSA to update your status. Otherwise, the SSA may report that you are not a citizen, and you will have to provide citizenship documentation before receiving aid.

For financial aid purposes, an **eligible noncitizen** is one of the following:

- A U.S. permanent resident who has a Permanent Resident Card (I-551 or I-151)
- A conditional permanent resident (I-551C)
- A noncitizen with an Arrival-Departure Record (I-94) from the Department of Homeland Security (DHS) (specifically, the U.S. Citizenship and Immigration Services) showing any one of the following designations: "Refugee," "Asylum Granted," "Parole" (the I-94 must confirm 'paroled for a minimum of 1-year status' has not expired), or "Cuban-Haitian Entrant"

If you are neither a **citizen nor an eligible noncitizen**, you are not eligible for federal student aid; for example, you are not eligible if you are in the U.S. on one of the following:

- An F-1, F-2, or M-1 student visa
- A J-1 or J-2 exchange visitor visa
- A B-1 or B-2 visitor visa
- A G series visa (pertaining to international organizations)
- An H series or L series visa (allowing temporary employment in the U.S.)
- A "Notice of Approval to Apply for Permanent Residence" (I-171 or I-464)
- An I-94 stamped "Temporary Protected Status"

However, you may be eligible for state or institutional aid and may therefore wish to complete the FAFSA to apply for that aid. If you are completing a paper FAFSA, fill in oval C. On *FAFSA on the Web*, indicate that you are not a citizen by using the drop down menu. Please note, however, that if you do not have a Social Security number, the processor will not process your FAFSA. If you are in this situation, you should contact your school for information on how to proceed.

**15. Alien Registration Number (A-Number).** If you are an eligible noncitizen, enter your eight- or nine-digit A-Number. Leave the first space blank if you have an eight-digit A-Number.

If you answer "yes" to the question asking whether you are a U.S. citizen, do not provide an A-Number in this question. If an A-Number is present, the Department will check with the DHS to confirm your status.

**16. Marital status.** Your marital status directly affects how your income and assets are treated in the EFC calculation. You must report your marital status **as of the date the application is submitted**. An applicant cannot update FAFSA information for changes in marital status after the application is filed.

**17. Date of marital status.** You should enter the date (the month and the year) you married, divorced, separated, or were widowed. If you never married, leave this question blank.

**18. State of legal residence.** The Department will disclose your FAFSA information to state agencies in your state of legal residence, to each school listed on the FAFSA, and to state agencies in the state in which each school is located. State and institutional programs may use the information provided on the FAFSA to determine your eligibility for state and institutional aid.

Your state of legal residence is also used in the EFC calculation to determine the appropriate allowance for state and other taxes paid by that state's residents.

**Your residence is your true, fixed, and permanent home.** If you are a dependent student, the state of legal residence is usually the state in which your parents live. If you moved from your family's state of residence into a state for the sole purpose of attending a college, do not count the state to which you moved as your legal residence. Use the State Abbreviations list to provide the abbreviation for your state.

**19. Legal resident before 2001.** States have varying criteria for determining whether you are a resident for purposes of **state** financial aid. However, if you established a true, fixed, and permanent home in any state more than four years ago, you will meet its residency criteria. Select "Yes" if you became a resident of your state before January 1, 2001 or "No" if you became a resident of your state on or after January 1, 2001.

**20. Date (month and year) of legal residence.** Your state will use this information to determine whether you meet its specific residency criteria for state aid. If you answered "No" to the question asking if you became a legal resident of your state before January 1, 2001, provide the month and year you became a legal resident of your state.

**21. Are you male?** To receive federal student financial aid, male students who are 18 through 25 years old and born after December 31, 1959 must be registered with Selective Service. Indicate whether you are male.



**22. Selective Service registration.** If you are male, 18 through 25 years of age, and have not registered with Selective Service, you can enter "Yes" and Selective Service will register you. You can also register on the Web at **www.sss.gov**.

If you believe that you are not required to register, call the Selective Service office at 1-847-688-6888 for information regarding exemptions. Female students should leave Question 22 blank.

**23. Degree or certificate.** Indicate the one-digit code for the expected degree or certificate you will be working on during the 2006-07 school year, using the "Degree/Certificate Code List" below. If your degree or certificate does not fit any of these categories, or if you are undecided, enter "9."

Enter:	For:
1	1st bachelor's degree
2	2nd bachelor's degree
3	Associate degree (occupational or technical program)
4	Associate degree (general education or transfer program)
5	Certificate or diploma for completing an occupational, technical, or educational program of less than two years
6	Certificate or diploma for completing an occupational, technical, or educational program of at least two years
7	Teaching credential program (nondegree program)
8	Graduate or professional degree
9	Other/undecided

**24. Grade level during 2006-07 school year.** Choose from the following:

Enter:	For:
0	Never attended college & 1st year undergraduate (high school seniors and/or first-time students should choose this grade level)
1	Attended college before/1st- year undergraduate
2	2nd-year undergraduate/sophomore
3	3rd-year undergraduate/junior
4	4th-year undergraduate/senior
5	5th-year/other undergraduate
6	1st-year graduate/professional
7	Continuing graduate/professional or beyond

Grade level does not mean the number of years you have attended college, but grade level in regard to completing your degree/certificate. (For example, if you are enrolled less than full time, it will take longer for you to reach the same grade level than for a full-time student.)

**25. High school diploma/GED.** If you will receive your high school diploma or earn a General Education Development (GED) certificate or equivalent home school credential before you enroll in college for the 2006-07 school year, answer "Yes" to this question. Otherwise, answer "No."

**26. 1st bachelor's degree.** This question has a direct bearing on your eligibility for Federal Pell Grants and Federal Supplemental Educational Opportunity Grants, which are restricted to students who have not yet received bachelor's degrees. (The only exception is that certain students who already have a bachelor's degree and are now taking courses for teacher certification may receive a Federal Pell Grant.) You must answer "Yes" to this question if you have (or will have by July 1, 2006) a degree from a college in the U.S., or an equivalent degree from a college in another country. If you incorrectly answer "Yes" to this question, you will be ineligible for a Federal Pell Grant unless a correction is made.

If you attend two different colleges during the same enrollment period, you must notify the financial aid administrators (FAAs) at both schools. If you are eligible for a Federal Pell Grant, you may receive it for only one school for the same period of enrollment.

**27-28. Types of aid.** These questions ask you to indicate what types of aid, in addition to grants, you are interested in receiving. (Question 27 asks about loans and Question 28 asks about work-study.) Note: answering "Yes" or "No" to these questions will not affect your eligibility to receive a grant. The FAFSA automatically assumes that you are interested in grant aid regardless of your answers to Questions 27 and 28.

Federal, state, and institutional programs all may use the information from these questions to determine what types of aid to award. If you are not sure, you should answer "Yes" to both of these questions; you will then be considered for all types of aid that are available. You can decline any aid that is later awarded. If your parents wish to take out loans for your education, answer "Yes" to "student loans."

**29-30. Father's/mother's highest school level.** These questions do not affect your eligibility for federal student aid. Some state and institutional programs use the information provided here to offer aid to first-generation college students.

Enter the highest grade level completed by your father and mother. "Father" and "mother" in these questions mean your birth parents, but not adoptive parents, stepparents, or foster parents. If you don't know the answer, select or fill in "Other/unknown." Note that **this definition of parents is unique to these two questions.** All other questions use the definition given on page 7 of the paper FAFSA and elsewhere on this site (see Questions 55-83).

**31. Illegal drug offenses.** Question 31 asks whether you have been convicted of possessing or selling illegal drugs. If you have been convicted, you are not necessarily ineligible for aid. If you complete a paper application and answer "Yes" to this question, you will receive a Drug Conviction Worksheet in the mail with your SAR. You can use this worksheet to determine whether the conviction affects the student's eligibility for federal student aid. If you file on the Web and answer "Yes" to this question, you will automatically be presented with an online Drug Conviction Worksheet to complete. Once you complete the worksheet, you will receive the results of your current eligibility status immediately. The information you provide on the Web-based worksheet will pre-populate the answer to Question 31 on the *FAFSA on the Web* application, and the data on the worksheet is not retained in our system.

If you have a conviction, you should still complete and submit the FAFSA because even if you are ineligible for federal student aid, you might still be eligible for state or institutional aid. Many states and schools use the data supplied by the FAFSA to determine students' eligibility for aid from those non-federal entities.

Do not leave Question 31 blank. You will not be able to receive aid until you have provided an answer to this question electronically, on your SAR, or by calling the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243). Note that if you are calling the Center to make a correction, you will need to provide your Data Release Number (DRN) from your SAR. If you are not sure how to answer or correct an answer to this question, you can contact the Center for further assistance.

### **Questions 32-47 (All applicants must complete)**

#### **Instructions**

**Purpose:** All students (dependent and independent) must provide their financial information for these questions. The EFC calculation, determined by a formula specified by law, uses a family's income, assets, household size, and certain expenses to determine whether the family has discretionary income. If the family has discretionary income, a portion, and only a portion, of that income is included in the EFC as available for the student's educational costs.

#### **How to complete the income tax section**

It is best if you (and your spouse) fill out your 2005 income tax return(s) before filling out this application. However, if you have not completed your income tax return(s), you should calculate your adjusted gross income (AGI) and taxes paid using the applicable IRS instructions. You can get the instructions and the appropriate tax form at a public library or download them in Portable Document Format (PDF) from [www.irs.gov/formspubs/index.html](http://www.irs.gov/formspubs/index.html).

When your application is compared with the tax return(s) you (and your spouse) actually file, the financial information must agree. If there are differences, you should correct the

information on the Web or send it back to the FAFSA processor. This could mean a delay in getting student financial aid.

Even if you (and your spouse) **are not required to file a 2005 income tax return**, you will need to calculate your earnings for the year. Use W-2 forms and other records to answer the questions in this section.

**If an answer is zero or a question does not apply to you, enter 0 (zero). Do not leave any of these questions blank.**

For the 2006-07 FAFSA, the "base year" for completing income tax questions is 2005. Income tax questions give 2005 Internal Revenue Service (IRS) tax form line references.

If you are **married** at the time you submit the FAFSA, even if you were not married in 2005, both your **and** your spouse's income, assets, and exemptions must be reported. If you and your spouse filed (or will file) **separate tax returns** for 2005, be sure to include the combined information from both returns on the FAFSA.

If you are single, divorced, separated, or widowed, you must answer the questions for yourself only and ignore the references on the FAFSA to "spouse."

If you are **divorced, separated, or widowed** but filed (or will file) a joint tax return for 2005, you must give only your portion of the exemptions, income, and taxes paid for the income and asset questions.

Information from one of the following 2005 income tax forms may be listed on the FAFSA in the same manner as U.S. tax information: the income tax return required by Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, the Marshall Islands, the Federated States of Micronesia, or Palau. The amounts on these returns are already reported in U.S. dollars.

### **Foreign income**

Income earned in a foreign country is treated the same as income earned in the U.S. Convert all figures to U.S. dollars, using the exchange rate in effect on the day you fill out the FAFSA. You can find information on current exchange rates at [www.federalreserve.gov/releases/h10/update](http://www.federalreserve.gov/releases/h10/update).

Include the value of any taxes paid to the foreign government in the "U.S. income tax paid" line item. If income earned in the foreign country was not taxed by the central government of that country, the income must be reported as untaxed income on Worksheet B of the FAFSA and totaled in Question 41.

In many cases, if you file a return with the IRS for a year in which foreign income was earned, a portion of the foreign income can be excluded on IRS Form 2555 for U.S. tax purposes. The figure reported on line 43 of Form 2555 (or line 18 of Form 2555EZ)

should be reported on the "Foreign income exclusion" line on Worksheet B on page 8 of the paper FAFSA. (The worksheets, such as Worksheet B and others, that you will use to help you complete either a paper FAFSA or *FAFSA on the Web*, are also available online at [www.fafsa.ed.gov](http://www.fafsa.ed.gov).) The final total for the Form 2555 must not be reported as untaxed income because it contains other exclusions.

## Questions

**32. Filing return.** Indicate whether you have already completed, are going to complete, or will not file a tax return for 2005.

**33. Type of return filed.** Indicate which tax form you filed or will file for 2005.

**34. Eligible to file a 1040A or 1040EZ.** If you (and your spouse) are eligible to file a 1040A or 1040EZ for 2005, indicate your eligibility to file one of these forms (**even if you file a 2005 IRS Form 1040**). For instance, tax preparers often file a Form 1040 or an electronic 1040 on behalf of a tax filer, even though that person's income and tax filing circumstances would allow him or her to file a 1040A or 1040EZ.

In general, you are eligible to file a 1040A or 1040EZ if you make less than \$100,000, do not itemize deductions, do not receive income from your own business or farm, and do not receive alimony. You are not eligible to file a 1040A or a 1040EZ form if you itemize deductions, receive self-employment income or alimony, or are required to file Schedule D for capital gains. If you filed a 1040 only to claim Hope or Lifetime Learning credits and you would have otherwise been eligible to file a 1040A or 1040EZ, you should answer "Yes" to this question.

**35. Adjusted Gross Income.** Provide your (and your spouse's) adjusted gross income (AGI) for 2005. AGI is found on IRS Form 1040 — line 37; 1040A — line 21; or 1040EZ — line 4. If you have not completed a 2005 tax form, you should calculate your AGI using the instructions for the applicable IRS form. You can get the instructions and the form at a public library or download them in Portable Document Format (PDF) from [www.irs.gov/formspubs/index.html](http://www.irs.gov/formspubs/index.html).

Note that AGI includes more than just wages earned; for example, alimony, taxable portions of Social Security, and business income are also included.

**36. Income tax.** Enter your (and your spouse's) 2005 income tax from IRS Form 1040 — line 57; 1040A — line 36; or 1040 EZ — line 10. Do **not** copy the amount of federal income tax **withheld** from a W-2 Form. Do not include any FICA, self-employment, or other taxes. If you did not pay any income tax for 2005, enter zero (0).

**37. Exemptions.** Enter your (and your spouse's) exemptions for 2005. Exemptions are on IRS Form 1040 — line 6d or 1040A — line 6d. If you checked the "You" or "Spouse" box on 1040EZ — line 5, use EZ worksheet line E to determine the number of

exemptions (\$3,200 equals one exemption). If you didn't check either box on line 5, you should enter "01" if single or "02" if married.

If you are divorced, separated, or widowed, and have filed or will file a joint tax return for 2005, you should give only your portion of the exemptions.

**38. Student's income earned from working.** When the Department's processor calculates your EFC, certain allowances are deducted from your (and your spouse's) income for necessary expenses (such as taxes and basic living costs). Your (and your spouse's) income earned from work (wages, salaries, tips, combat pay) will be used in the EFC calculation as an income factor when no tax form is filed.

**39. Spouse's income earned from working.** Use the instructions from #38, "Student's Income Earned from working" as the guide to answer this question for your spouse's income.

If you filed (or will file) a tax return, you should include **your share only** from IRS form 1040 - lines 7 + 12 + 18; 1040A - line 7; 1040EZ - line 1. Even if you filed a joint return, you must report your and your spouse's earnings **separately**.

If you filed a tax return using other than an IRS form, such as a foreign or Puerto Rican tax form, you should report on the FAFSA the amounts (converted to U.S. dollars) from the lines of the non-IRS form that correspond most closely to those on the IRS forms.

**If you did not file a tax return,** you should report your earnings from work in 2005. You can find this information on your W-2 Form(s).

### **Questions 40-42: Student (and Spouse) Worksheets**

**On the worksheets, you (the student) should go to [www.fafsa.ed.gov](http://www.fafsa.ed.gov) and click on "Worksheets" under "Before Beginning a FAFSA" or complete the left-hand blue side on page 8 of the paper FAFSA.**

#### **Question 40 – Worksheet A**

**Earned income credit.** Enter the earned income credit from IRS Form 1040 — line 66a; 1040A — line 41a; 1040EZ — line 8a.

**Additional child tax credit.** Report the amount from IRS Form 1040 — line 68 or 1040A — line 42.

**Welfare benefits (including Temporary Assistance for Needy Families [TANF]).** Enter the total amount of welfare benefits you (and your spouse) received, including TANF, in 2005. Report the amount you received for the year - not monthly amounts. Do not include the annual value of food stamps or subsidized housing.

**Untaxed Social Security benefits for all household members as reported in Question 84.** If Social Security benefits were paid to your parents on your behalf (because you were under 18 years old at the time), those benefits are reported in the parent column as your parents' income, not your income.

If you, as head of household, received benefits on behalf of persons included in your **household size**, these benefits must be reported as your income in the student column. However, if a member of your household, such as an uncle or grandmother, received benefits in his or her own name, you do not report those benefits as your income.

The actual amount of benefits received for the year in question must be reported, even if that amount represents an underpayment or an overpayment that may be compensated for in the next year. This parallels the IRS treatment of overpayments of taxable income (such as salary) that must be reported and are taxed as any other income.

#### **Question 41 – Worksheet B**

**Payments to tax-deferred pension and savings plans.** You must report money paid into tax-sheltered or deferred annuities (whether paid directly or withheld from earnings), including—but not limited to—amounts reported on the W-2 Form, in Boxes 12a through 12d, codes D, E, F, G, H, and S. You must include untaxed portions of 401(k) and 403(b) plans. Note that **employer contributions to tax-deferred pension and savings plans should not be reported** on the FAFSA as an untaxed benefit.

**IRA and other plans.** Enter the amount of IRA deductions and payments to self-employed Simplified Employee Pension (SEP), Savings Incentive Match Plan for Employees (SIMPLE), and Keogh and other qualified plans. These plan payments can be found on IRS 1040 — total of lines 28 + 32 or 1040A — line 17.

**Child support received.** Report child support you received for all children during 2005. Do not include foster care or adoption payments.

**Tax-exempt interest income.** Enter the total amount of tax-exempt interest income you (and your spouse) earned in 2005, as reported on Form 1040 — line 8b or 1040A — line 8b.

**Foreign income exclusion.** The IRS allows eligible U.S. citizens and residents living in foreign countries to exclude a limited amount of income earned abroad. Though deducted for tax purposes, this amount is considered untaxed income for federal student aid purposes. Provide the amount of the foreign income exclusion you (and your spouse) reported for 2005 from Form 2555 — line 43 or 2555EZ — line 18.

**Untaxed portions of IRA distributions.** This amount can be calculated from IRS Form 1040 (line 15a minus 15b) or 1040A (line 11a minus 11b). If the result is a negative number, enter a zero here.

**Untaxed portions of pensions.** This amount can be calculated from IRS Form 1040 (line 16a minus 16b) or 1040A (line 12a minus 12b). If the result is a negative number, enter a zero here.

The only **exception to reporting IRA or pension** distributions as income is when these **distributions are rolled over** to another IRA or retirement plan within 60 days following the day on which you receive the distribution from the initial IRA or retirement plan.

**Special fuels credit.** Enter the total amount of credit for federal tax on special fuels that you (and your spouse) reported in 2005, from IRS Form 4136 — line 15 (nonfarmers only).

**Housing, food, and other living allowances.** Housing, food, and other living allowances provided to you or your spouse must be reported. These allowances must be reported when they are part of a compensation package that some people, particularly clergy and military personnel, receive for their jobs. Include cash payments and cash value of benefits. If you received free room and board in 2005 for a job that was not awarded as federal student aid, you must report the value of the room and board as untaxed income. (This category, "housing allowances," excludes rent subsidies for low-income housing.)

**Veterans' noneducation benefits.** Enter the total amount of veterans' **noneducation** benefits you received in 2005. Include Disability, Death Pension, Dependency and Indemnity Compensation (DIC), and/or VA Educational Work-Study allowances.

**Other untaxed income and benefits.** Include untaxed income or benefits not reported elsewhere on Worksheets A and B such as worker's compensation, untaxed portions of railroad retirement benefits, untaxed portion of capital gains, Black Lung Benefits, Refugee Assistance, disability, foreign income that wasn't taxed by any government, etc. For students (and their spouses) whose W-2 Forms show combat pay, any untaxed portion of that pay must be reported on Worksheet B and the full amount must be reported as income earned from work. Do **not** include benefits from flexible spending arrangements (e.g., cafeteria plans), student aid, or Workforce Investment Act (WIA) (formerly JTPA) educational benefits.

**Money received.** Report any cash support you receive from a friend or relative (other than your parents, if you are a dependent student). Cash support includes payments made on your behalf. For instance, if your aunt pays your rent or utility bill that you would otherwise be obligated to pay yourself, you must report those payments on Worksheet B.

Certain income and benefits should **not** be reported on Worksheets A and B:

- **Combat pay for non-tax filers.** Students (and their spouses) who did not file a tax return must report any combat pay received as income earned from work in Question 38 or 39. None of it should be reported on Worksheet B. This is because income earned from work is used in place of adjusted gross income (AGI) for



non-tax filers, so putting combat pay on Worksheet B in this case would yield a double-counting of funds.

- **Student financial aid.** Student aid received is already taken into account when a school packages your aid. However, work-study earnings must be reported as taxed income in the income questions of the Student's Income and Assets section and then excluded (on Worksheet C).
- **Food stamps and other programs.** Benefits received from federal, state, or local governments from the following programs are not counted as untaxed income: the Food Stamp Program; Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); Food Distribution Program; Commodity Supplemental Food Program; National School Lunch and School Breakfast Programs; Summer Food Service Program; and Special Milk Program for Children.
- **Dependent Assistance.** You may be eligible to exclude a limited amount of benefits received for dependent care assistance if certain requirements are met. Generally, up to \$5,000 of benefits may be excluded from an employee's gross income, or \$2,500 for a married employee who files a separate return from his or her spouse. This exclusion cannot exceed the employee's (or his or her spouse's) earned income. (Note: Some states provide reimbursement for childcare expenses incurred by welfare recipients through Temporary Assistance for Needy Families (TANF). You must report this on the application because you bill the state for the amount of childcare costs incurred while on welfare and are reimbursed on that basis.)
- **Per capita payments to Native Americans.** You should not report individual per capita payments received in 2005 from the Per Capita Act or the Distribution of Judgment Funds Act unless any individual payment exceeds \$2,000. Thus, if an individual payment were \$1,500, you would not report it on your application. However, if a payment were \$2,500, you would report the amount that exceeds \$2,000: \$500.
- **Heating/fuel assistance.** Exclude from consideration as income or resources any payments or allowances received under the Low-Income Home Energy Assistance Program (LIHEAP). (Note: Payments under the LIHEAP are made through state programs that may have different names.)

## Question 42 – Worksheet C

**Exclusions from taxed income.** Because the items listed in this worksheet will be excluded from income when the Department's processor performs the EFC calculation, you should **not** subtract them from your responses to the income questions within Questions 32-47. These amounts should be calculated on the basis of what was received between January 1 and December 31, 2005 and not what was received during the school year.

**Education credits.** The Hope and Lifetime Learning tax credits benefit students or parents who pay tuition and related expenses for attendance at least half time in a degree-granting program. These tax credits are subtracted directly from the total federal tax on a

tax return. Enter the total amount of Hope and Lifetime Learning credits you received in 2005, from Form 1040 — line 50 or 1040A — line 31. For more information about these tax credits, visit the IRS Web site at [www.irs.gov/pub/irs-pdf/p970.pdf](http://www.irs.gov/pub/irs-pdf/p970.pdf).

**Child support payments.** Report any child support payments paid during 2005 by you (or your spouse) because of divorce, separation or as a result of a legal requirement. Do not include support for children in your household, as reported in the "number in household" question on the FAFSA (Question 84 for independent students). For purposes of the FAFSA, a child is a member of your household if you provide more than half of the child's support, whether the child lives with you or not.

**Taxable earnings from need-based employment programs.** These are earnings from any need-based work programs including Federal Work-Study and need-based employment portions of fellowships and assistantships.

**Student grants and other awards.** Report any student grant and scholarship aid reported to the IRS in your AGI. This includes AmeriCorps benefits (awards, living allowances, and interest accrual payments), as well as grant and scholarship portions of fellowships and assistantships.

#### **Questions 43-45 (Student Asset Information Instructions)**

An asset is defined as property that has an exchange value. The purpose of collecting asset information is to determine whether your family's assets are substantial enough to support a contribution toward your cost of attendance (COA). Only the net asset value is counted in the need analysis. To determine the net value of any asset, you first determine the market value of the asset and reduce the value by the amount of debt against that asset. The result is the net value of the asset.

#### **Ownership of an asset**

Ownership of an asset may be divided or contested in several situations:

- **Part ownership of asset.** If you (or your spouse) own an asset with others and therefore only own a portion or percentage of the asset, you (or your spouse) should report the net asset value that represents only your share of the asset owned. You would determine the current market value of the asset, reduce the value by any outstanding debt, and then multiply the net asset value by your ownership percentage. This result is then reported on the FAFSA.
- **Contested ownership.** An asset should not be reported if its ownership is being legally contested. For instance, if you and your spouse are separated and you may not sell or borrow against jointly owned property that is being contested, the FAFSA information you report would not list any value for the property or any debts against it. If ownership of the asset is resolved after the initial application is filed, you may not update this information. However, if ownership of the property is not being contested, you would report the property as an asset.

- **Lien against asset.** If there is a lien or imminent foreclosure against an asset, the asset would still be reported on the FAFSA until the party holding the lien or making the foreclosure completes legal action to take possession of the asset. If the status of the property changes after the application is filed, you may not update the asset information.

### **Assets that are not reported**

Below are examples of assets that are not reported:

- **Principal place of residence/family farm.** Your principal place of residence is not reported as an asset. Neither is your family farm if the farm is your principal place of residence and your family claimed on Schedule F of the tax return that it "materially participated in the farm's operation."
- **Personal possessions.** Do not report possessions such as a car, a stereo, clothes, or furniture. By the same token, personal debts such as credit card debt cannot be reported.
- **Pensions and Whole Life Insurance.** The cash value or built-up equity of a life insurance policy (often referred to as a whole-life policy) isn't reported as an asset. The income distributed to the beneficiary must be reported as income.
- **Excluded Assets From Native American Students.** Do not report any property received under the Per Capita Act or the Distribution of Judgment Funds Act (25 United States Code [USC] 1401, et seq.), the Alaska Native Claims Settlement Act (43 USC 1601, et seq.), or the Main Indian Claims Settlement Act (25 USC 1721, et seq.).

### **Investments**

**Rental properties.** Generally, rental properties must be reported as investment assets rather than as business assets. To be reported as a business, a rental property would have to be part of a formally recognized business. (Usually such a business would provide additional services, such as regular cleaning, linen, or maid service.)

**"Take-back" mortgages.** In a "take-back" mortgage, the seller takes back a portion of the mortgage from the buyer and arranges for the buyer to repay that portion of the mortgage to the seller. For IRS purposes, the seller must report the interest portion of any payments received from the buyer on Schedule B of IRS Form 1040. If an amount is reported on Schedule B, the family should report the outstanding balance of the remaining mortgage on the FAFSA as an investment asset.

**Trust funds.** If trust funds are in your (or your spouse's) name, they should be reported as your (or your spouse's) asset on the application. In the case of divorce or separation, where the trust is owned jointly and ownership is not being contested, the property and the debt are equally divided between the owners for reporting purposes, unless the terms of the trust specify some other method of division.

How the trust must be reported varies according to whether you (or your spouse) receive or will receive the interest income, the trust principal, or both. If you (or your spouse)

receive only interest from the trust, any interest received in the base year must be reported as income. Even if interest accumulates in the trust and is not paid out during the year, if you will receive the interest, you must report an asset value for the interest you will receive in the future. The trust officer can usually calculate the present value of the interest you will receive while the trust exists. This value represents the amount a third person would be willing to pay to receive the interest income you (or your spouse) will receive from the trust in the future.

The present value of the principal is the amount a third person would pay at present for the right to receive the principal when the trust ends (basically, the amount you would have to deposit now to receive the amount of the principal when the trust ends, including the accumulated interest). Again, the trust officer can calculate the present value.

As a general rule, you must report the present value of the trust as an asset, even if your (the beneficiary's) access to the trust is restricted. If the creator of a trust has voluntarily placed restrictions on the use of the trust, then you should report the trust in the same manner as if there were no restrictions. However, if a trust has been restricted by court order, you should not report it as an asset. An example of such a restricted trust is one set up by court order to pay for future surgery for the victim of a car accident.

### **Pre-paid tuition plans**

Note that the value of a pre-paid tuition plan is excluded from being reported as an asset. (The value of the annual tuition prepayment will be taken into account when the school packages your aid and will reduce your financial need.)

### **Student Asset Information Questions**

If you are eligible to skip these questions, but you choose to answer them on the Web or on paper, answering these questions will not affect your eligibility to receive Federal Student Aid, such as a Federal Pell Grant.

**43. Total current cash on hand, and savings and checking account balances.** Include the balance of your (and your spouse's) savings and checking accounts **as of the date the FAFSA is completed**. Do not include student financial aid.

**44. Net worth of investments.** Net worth means current value minus current debt. Investments include real estate such as rental property, land, and second or summer homes. Do not include your primary place of residence (that is, your home). Include the value of any multifamily dwellings that you own, except that you must exclude the portion of the value of a dwelling that is your principal residence. Investments also include trust funds, money market funds, mutual funds, certificates of deposit, stocks, stock options, bonds, other securities, Coverdell Education Savings Accounts (formerly Education IRAs), college savings plans, installment and land sale contracts (including mortgages held), commodities, etc. Do not include the value of life insurance and retirement plans (pension funds, annuities, non-Education IRAs, Keogh plans, etc.)

The money in a Coverdell Education Savings Account or a college savings plan is an asset of the account owner. A Coverdell Education Savings Account is not a retirement account. It is essentially a savings account to be used for the student's educational expenses. Therefore, if you own the account, you must report the amount in your Coverdell Education Savings Account with your investments.

**Investment Value - Investment Debt = Net Worth of Investments**

If you (and your spouse) own real estate or investments other than your principal residence, their value equals the amount they are worth today.

Investment debt equals how much you (and/or your spouse) owe on real estate and investments other than your principal residence. Investment debt means only those debts that are related to the investments.

Subtract the amount of debt on these assets from their value to determine the net worth of the asset. **Indicate this amount in Question 44 for net worth of investments.**

**45. Net worth of business and/or investment farm.** Business or farm value includes the current market value of land, buildings, machinery, equipment, inventory, etc. Do not include your primary home.

**Business/Farm Value - Business/Farm Debt = Net Worth of Business/Farm**

For business or investment farm value, first figure out how much the business or farm is worth today. **An investment farm is a farming business where the student (and/or spouse, if married) do not reside on the farm, nor do they materially operate the farm.**

Business or investment farm debts are what you (and/or your spouse) owe on the business or farm. Include only debts for which the business or farm was used as collateral.

Subtract the amount of debt from the value. **Indicate this amount in Question 45 for net worth of business and/or investment farm.**

To report current market value for a business, you must use the amount for which the business could sell as of the date of the application. Also, if you are not the sole owner of the business, you should report only your share of its value and debt.

**Questions 46-47 (Veterans' Educational Benefits)**

**46. Number of months veterans' education benefits received.** Enter the number of months from July 1, 2006 to June 30, 2007 you expect to receive veterans' education benefits. If you do not receive veterans' education benefits, enter zero (0).

**47. Amount of veterans' education benefits.** Veterans' education benefits information is not used in the EFC calculation; your school will use it when putting together your aid package. If you receive veterans' education benefits, you must report the amount you expect to receive per month during the school year (from July 1, 2006 through June 30, 2007). Such benefits include (but are not limited to)

- Montgomery GI Bill — Active Duty (MGIB)
- Reserve Officer Training Corps (ROTC) scholarship
- Veterans Educational Assistance Program (VEAP)
- Dependents Educational Assistance Program (DEA)
- Reservists Educational Assistance Program (REAP)

Do not include your spouse's veterans' education benefits.

**Questions 48-54 (All applicants must complete)**

**These questions appear in Step 2 of the online FAFSA (*FAFSA on the Web*) or in Step Three of the paper FAFSA.**

**Purpose:** These questions are used to determine, according to law, whether you are a dependent or an independent student for purposes of calculating an EFC. If you answer "No" to all of these questions, you are a dependent student, even if you do not live with your parents. On a case-by-case basis, a financial aid administrator (FAA) may make an otherwise dependent student independent if he or she can document in the student's file that the student's individual circumstances warrant the decision. The reason must relate to that individual student and not to an entire class of students. **The FAA's decision is final and cannot be appealed to the U.S. Department of Education.**

A dependent student moves on to Questions 55-83, and provides information about his or her parents in the purple areas of the paper FAFSA or in the area designated for parental income on FAFSA on the Web. An independent student skips Questions 55-83 and picks up with Question 84 and continues through to the end of the application.

You must answer all of the following questions:

**48. Were you born before January 1, 1983?** Note that if you were born **on** January 1, 1983, you should answer "No."

**49. At the beginning of the 2006-07 school year, will you be working on a master's or doctorate program (such as an MA, MBA, MD, JD, Ph.D., EdD, or graduate certificate, etc.)?** You should answer, "Yes" if you will be enrolled in a master's or doctorate program in the initial term you attend in 2006-07. If you will be finishing your bachelor's degree in the initial term of the school year and then moving on to a master's or doctorate you should first answer Question 49 as "No." Once you have completed the undergraduate degree, this Question should be corrected to "Yes" and resubmitted. You should also notify your FAA.

A graduate or professional student is not eligible for a Federal Pell Grant or Federal Supplemental Educational Opportunity Grant, so if you incorrectly report that you are a graduate or professional student, you will need to correct this answer to receive either of these federal grants as an undergraduate student who is otherwise eligible.

**50. As of today, are you married?** Answer "Yes" if you are legally married on the date you complete the application. As previously stated under the instructions for Question 16, marital status cannot be projected. "Married" does not mean living together unless your state recognizes your relationship as common-law marriage. Answer "Yes" if you are separated but not divorced.

**51. Do you have children who receive more than half of their support from you?** "Support" means financial support. An applicant whose unborn child will be born before the end of the award year (June 30, 2007) may answer "Yes." Note that the financial support is the issue here; it does not matter whether the child lives with you or not.

**52. Do you have dependents (other than your children or spouse) who live with you and who receive more than half of their support from you, now and through June 30, 2007?** Again, the FAFSA is asking about financial support. In this question, the people supported must live with you throughout the award year.

**53. Are (a) both of your parents deceased or (b) are you (or were you until age 18) a ward/dependent of the court?** You should answer, "Yes" if both of your parents are deceased and you don't have an adoptive parent. If both your parents are deceased but you have a legal guardian, you should still answer, "Yes" to this question.

Answer "Yes" if you are currently a ward/dependent of the court or were a ward/dependent of the court until age 18.

You are not considered a ward/dependent of the court based solely on emancipation (when a child is released from the control of a parent or guardian) or incarceration.

**54. Are you a veteran of the U.S. Armed Forces?** You should answer "Yes" if

- You have engaged in active duty in the U.S. Armed Forces (Army, Navy, Air Force, Marine Corps, or Coast Guard), or you were a member of the National Guard or Reserves who was called to active duty for purposes other than training, or you were a cadet or midshipman at one of the service academies, **and**
- You were released under a condition other than dishonorable. Box 24 of the DD214 indicates the "Character of Service." If anything other than "dishonorable" appears in that box, you should answer, "Yes" to this question, as long as you were called to active service. There is no minimum amount of time the student has to have served to be considered a veteran for federal student aid purposes, but the service does have to be considered "active service." If "dishonorable" appears in box 24, you must answer "No" to Question 54.

You should answer "Yes" if you are not a veteran now but will be one by June 30, 2007.  
You should answer "No" (you are not a veteran) if

- You have never engaged in active duty in the U.S. Armed Forces,
- You are currently an ROTC student or a cadet or midshipman at a service academy, or
- You are a National Guard or Reserves enlistee activated only for training purposes.

You should also answer "No" if you are currently serving in the U.S. Armed Forces and will continue to serve through June 30, 2007.

If you answered "Yes" to any of the questions 48-54, you should now skip to Question 84. If you answered "No" to every one of these questions, continue with Question 55. If you are a health professions student, your school may require you to complete Questions 55-83 even if you answered "Yes" to any of the dependency questions.

### **Questions 55-83 (Dependent applicants must complete)**

**Purpose:** Your parents must provide financial information for Questions 55-83 if you are a dependent student (i.e., if you answered "No" to every question from 48-54). The EFC calculation, determined by congressional formula, uses information from this part to determine what portion of your parents income and assets should be available to contribute to your educational cost of attendance.

### **Who is considered a parent?**

The term "parent" is not restricted to biological parents. There are instances (such as when a grandparent legally adopts the applicant) in which a person other than a biological parent is treated as a parent, and in these instances, the parental questions on the application must be answered, since they apply to such an individual (or individuals).

If your parents are both living and married to each other, answer the questions about both of them.

If your parents are living together and have not been formally married but meet the criteria in their state for a common-law marriage, they should report their status as married on the application. If the state does not consider their situation to be a common-law marriage, then you should follow the rules for divorced parents. Check with the appropriate state agency concerning the definition of a common-law marriage.

A foster parent, legal guardian, or a grandparent or other relative is not treated as a parent for purposes of filing a FAFSA unless that person has legally adopted the applicant. An adoptive parent is treated in the same manner as a biological parent on the FAFSA.



If one, but not both, of your parents has died, you should answer the parental questions about the surviving parent. Do not report any financial information for the deceased parent on the FAFSA. If the surviving parent dies after the FAFSA has been filed, you must submit a correction to Question 53, thus updating your dependency status to independent, and correct all other information as appropriate (e.g., you will no longer fill out Questions 55-83). If the surviving parent is remarried as of the date you complete the FAFSA, answer the questions about both that parent and the person he or she married (your stepparent).

If your parents are divorced (or separated - see below for more information), answer the questions about the parent you lived with more during the 12 months preceding the date you complete the FAFSA. If you did not live with one parent more than the other, give answers about the parent who provided more financial support during the 12 months preceding the date you complete the FAFSA, or during the most recent year that you actually received support from a parent. If this parent has remarried as of the date you fill out the FAFSA, answer the questions on the remaining sections of the FAFSA about that parent **and** the person he or she married (your stepparent).

If your parents are **legally separated**, the same rules that apply for a divorced couple are used to determine which parent's information must be reported. A couple doesn't have to be legally separated in order to be considered separated for purposes of the FAFSA. The couple may consider themselves informally separated when one of the partners has left the household for an indefinite period of time. If the partners live together, they can't be considered informally separated. However, in some states, a couple can be considered legally separated even if they still live together. If the couple's state allows legally separated couples to live together, and they are legally separated, then they are considered separated for purposes of the FAFSA. In this case, the applicant would report the information on the parent that provided the majority of the student's financial support.

A stepparent is treated in the same manner as a biological parent if the stepparent is married, as of the date of application, to the biological parent whose information will be reported on the FAFSA, or if the stepparent has legally adopted you. There are no exceptions. Prenuptial agreements do not exempt the stepparent from providing required data on the FAFSA. Note that the stepparent's income information for the entire base year, 2005, must be reported even if your parent and stepparent were not married until after the start of 2005, but were married prior to the date the FAFSA was completed.

**55. Parents' marital status as of today.** The FAFSA asks about parents' marital status because their marital status directly affects the treatment of income and assets in the EFC calculation. Your parents must report their marital status as of the date the application is completed.

**56. Month and year your parents where married, separated, divorced, or widowed.** Enter the month and year that your parents attained the status you selected in Question 55.

**57. Father's/stepfather's Social Security number.** Enter your father's or stepfather's Social Security number (SSN) (that is, enter the information for the same person whose financial information you are reporting). All dependent applicants must provide the Social Security number of the parent providing financial data on the application. The Privacy Act statement on the FAFSA explains how his SSN can be used. If your father doesn't have a Social Security number, enter 000-00-0000. *FAFSA on the Web* filers should enter the numbers without dashes.

**58-60. Father's/stepfather's last name, first initial, and Date of Birth.** Enter your father's or stepfather's last name, first initial and date of birth (that is, enter the information for the same person (in #57) whose financial information you are reporting). Use the name found on his Social Security card. Your father's or stepfather's SSN, last name, and first initial on the application must match the number and name on his Social Security card. For information on how to update or correct the name on his Social Security card, he can call the Social Security Administration (SSA) at 1-800-772-1213 or go to the SSA's Web site at **www.ssa.gov**.

**61. Mother's/stepmother's Social Security number.** Enter your mother's or stepmother's Social Security number (SSN) (that is, enter the information for the same person whose financial information you are reporting). All dependent applicants must provide the Social Security number of the parent providing financial data on the application. The Privacy Act statement gives information about how her SSN can be used. If your mother doesn't have a Social Security number, enter 000-00-0000. *FAFSA on the Web* filers should enter the number without dashes.

**62-64. Mother's/stepmother's last name, first initial, and Date of Birth.** Enter your mother's or stepmother's last name, first initial, and date of birth (that is, enter the information for the same person (in #61) whose financial information you are reporting). Use the name found on her Social Security card. Your mother's or stepmother's SSN, last name, and first initial on the application must match the number and name on her Social Security card. For information on how to update or correct the name on her Social Security card, she can call the SSA at 1-800-772-1213 or go to their Web site at **www.ssa.gov**.

**65. Number in parents' household.** The number of family members reported determines the amount of an allowance that protects a portion of the reported income and this amount is subtracted from your family's income in the EFC calculation. This allowance provides for basic living expenses for the household size you indicate in this question.

The following persons are included in your parents' household size:

- **You** (the student), even if you do not live with your parents
- **Your parents** (the ones whose information is reported on the FAFSA)
- **Your parents' other children**, if your parents will provide more than half of their support from July 1, 2006 through June 30, 2007 or if the other children could answer "No" to every question in Questions 48-54

- **Your parents' unborn child**, if that child will be born before July 1, 2007 and your parents will provide more than half of the child's support through the end of the 2006-07 award year (June 30, 2007). (If there is a medical determination of a multiple birth, then all expected children can be included.)
- **Other people** (including your children and/or **your** unborn child due before July 1, 2007), **if** they live with and receive more than half of their support from your parents at the time of application and will continue to receive that support from July 1, 2006 through June 30, 2007

To determine whether to include children in the household size, the "support" test is used (rather than a residency requirement) because there may be situations in which a parent supports a child who does not live with the parent, especially in cases where the parent is divorced or separated. In such cases, the parent who provides more than half of the child's support may claim the child in his or her household size. **It does not matter which parent claims the child as a dependent for tax purposes.** If your parent receives benefits (such as Social Security or Temporary Assistance for Needy Families (TANF) payments) in the child's name, these benefits must be counted as parental support to the child.

Support includes money, gifts, loans, housing, food, clothes, car payments or expenses, medical and dental care, and payment of college costs.

**66. Number of college students in parents' household.** This question asks about the number of household members who, in 2006-07, are or will be enrolled in a postsecondary school. Count yourself as a college student. Include others only if they will be attending at least half time in an approved program during 2006-07 that leads to a degree or certificate at a postsecondary school eligible to participate in any of the federal student aid programs. Do not include your parents. Also do not include a student at a U.S. military academy because the family is not expected to contribute to their academy student's postsecondary education.

The number of family members in college directly affects your family's ability to contribute to your education costs. For a dependent student, the parents' contribution to the EFC is divided by the number of family members (excluding parents) in college.

**67. State of legal residence.** Indicate the two-letter abbreviation for your parents' current state of residence. Your parents' residence is their true, fixed, and permanent home. If your parents are separated or divorced, use the state of legal residence for the parent whose information is reported on the form. Use the State Abbreviations list to provide the abbreviation for your parents' state of legal residence. If your parents live in a foreign country, enter "FC" in the state abbreviation space.

**68. Legal resident before 2001.** States have varying criteria for determining whether you are a resident for purposes of **state** financial aid. However, if you established a true, fixed, and permanent home in any state more than four years ago, you will meet the

state's criteria. Select "Yes" if your parents became residents of their state before January 1, 2001 or "No" if your parents became residents of their state on or after January 1, 2001.

**69. Date (month and year) of legal residence.** If your parents did not become legal residents of their state before January 1, 2001, provide the month and year legal residency began for the parent who has lived in the state the longest.

### **Instructions for Questions 70-77 (How to complete the income tax section)**

It is best if your parents file their income tax return(s) before completing this application. However, if your parents have not completed their income tax return(s), they should calculate their adjusted gross income (AGI) and taxes paid using the instructions for the applicable IRS form. They can get the instructions and the appropriate form at a public library or download them in Portable Document Format (PDF) from [www.irs.gov/formspubs/index.html](http://www.irs.gov/formspubs/index.html).

When your application is compared with the tax return(s) your parents actually file, the financial information must agree. If there are differences, you may need to correct the information on the Web or send it back to the FAFSA processor. The time it takes to resubmit and reprocess corrected data could mean a delay in getting student financial aid.

Even if your parents **are not required to file a 2005 income tax return**, they will need to calculate their earnings for the year. They should use W-2 Forms and other records to answer the questions in this section.

If an answer is zero or a question does not apply to your parents, enter 0 (zero).

For the 2006-07 FAFSA, the "base year" for completing income tax questions is 2005. Income tax questions give 2005 IRS tax form line references.

Information from one of the following 2005 income tax forms may be listed on the FAFSA in the same manner as U.S. tax information: the income tax return required by Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, the Marshall Islands, the Federated States of Micronesia, or Palau. The amounts on these returns are already reported in U.S. dollars.

### **Foreign income**

Income earned in a foreign country is treated in the same way as income earned in the U.S. Convert all figures to U.S. dollars, using the exchange rate in effect on the day you complete the FAFSA. Your parents can find information on current exchange rates at [www.federalreserve.gov/releases/h10/update](http://www.federalreserve.gov/releases/h10/update).

Your parents should also include the value of any taxes paid to the foreign government in the "U.S. income tax paid" line item. (If the income earned in the foreign country was not

taxed by the central government of that country, the income should be reported as untaxed income on Worksheet B of the FAFSA and totaled in Question 79.)

In many cases, if your parents file a return with the IRS for a year in which foreign income was earned, a portion of the foreign income can be excluded on IRS Form 2555 for U.S. tax purposes. The figure reported on line 43 of Form 2555 (or line 18 of Form 2555EZ) should be reported on the "Foreign income exclusions" line on Worksheet B on page 8 of the paper FAFSA. (The worksheets, such as Worksheet B and others, that you will use to help you complete either a paper FAFSA or *FAFSA on the Web*, are also available online at [www.fafsa.ed.gov](http://www.fafsa.ed.gov).) The final total for Form 2555 must not be reported as untaxed income because it contains other exclusions.

### Questions 70-77

**70. Filing return.** Indicate whether your parents have already completed, are going to complete, or will not file a tax return for 2005.

**71. Type of return filed.** Indicate which tax form your parents filed or will file for 2005.

**72. Eligible to file a 1040A or 1040EZ.** If your parents are eligible to file a 1040A or 1040EZ for 2005, they must indicate their eligibility to file one of these forms (even if they file a 2005 IRS Form 1040). Tax preparers often file a Form 1040 or an electronic 1040 on behalf of a tax filer, even though that person's income and tax filing circumstances would allow him or her to file a 1040A or 1040EZ.

In general, a person is eligible to file a 1040A or 1040EZ if he or she makes less than \$100,000, does not itemize deductions, does not receive income from his or her own business or farm, and does not receive alimony. A person is not eligible to file a 1040A or a 1040 EZ form if he or she itemizes deductions, receives self-employment income or alimony, or is required to file Schedule D for capital gains. If your parents filed a 1040 only to claim Hope or Lifetime Learning credits and they would have otherwise been eligible to file a 1040A or 1040EZ, they should answer "Yes" to this question.

**73. Adjusted Gross Income.** Your parents must provide their adjusted gross income (AGI) for 2005. AGI is found on IRS 1040 — line 37; 1040A — line 21; or 1040EZ — line 4. If your parents have not completed a 2005 tax form, they should calculate their AGI using the instructions for the applicable IRS form. They can get the instructions and the form at a public library or download them in Portable Document Format (PDF) from [www.irs.gov/formspubs/index.html](http://www.irs.gov/formspubs/index.html).

Note that AGI includes more than just wages earned; it also includes, for example, interest, dividends, alimony, taxable portions of Social Security, and business income.

**74. Income tax.** Your parents should enter the amount of their 2005 income tax paid from IRS 1040 — line 57; 1040A — line 36; or 1040EZ — line 10. They should not

copy the amount of federal income tax withheld from a W-2 Form. If they did not pay any income tax for 2005, they should enter zero (0).

**75. Exemptions.** Your parents should enter their exemptions for 2005. Exemptions are on IRS Form 1040 — line 6d or 1040A — line 6d. If your parents checked the “You” or “Spouse” box on 1040EZ — line 5, they should use EZ worksheet line E to determine the number of exemptions (\$3,200 equals one exemption). If your parents didn’t check either box on line 5, they should enter “01” if single or “02” if married.

If your parent is divorced, separated, or widowed, but he or she has filed or will file a joint tax return for 2005, he or she should give only his or her portion of the exemptions.

**76. Father's/stepfather's income earned from working.** When the Department's processor calculates your parents' contribution, certain allowances are deducted from your parents' income for required and necessary expenses (such as taxes and basic living costs). Your parents' income earned from work (wages, salaries, tips, combat pay) will be used in the EFC calculation as an income factor when no tax form is filed.

**77. Mother's/stepmother's income earned from working.** Use the instructions from Question 76 ("Father's/stepfather's Income Earned from working") as the guide to answer this question, reporting your mother's income this time.

If your parents filed (or will file) a 2005 tax return, each should include only his or her share from IRS Form 1040 — lines 7 + 12 + 18; 1040A — line 7; 1040EZ — line 1. Even if your parents filed a joint return, they should report their earnings **separately** in Questions 76 and 77.

If your parents filed a tax return using other than an IRS form, such as a foreign or Puerto Rican tax form, they should report on the FAFSA the amounts (converted to U.S. dollars) from the lines of the non-IRS form that correspond most closely to those on the IRS forms.

If your parents did not file a tax return, they should report their earnings from work in 2005. They can find this information on their W-2 form(s).

### **Questions 78-80 (Parent Worksheets)**

**On the worksheets, your parents should go to [www.fafsa.ed.gov](http://www.fafsa.ed.gov) and click on "Worksheets" under "Before Beginning a FAFSA" or complete the right-hand (purple) side on page 8 of the paper FAFSA.**

### **Question 78 – Worksheet A**

**Earned income credit.** Enter the earned income credit from your parents' IRS Form 1040 — line 66a; 1040A — line 41a; 1040EZ — line 8a.

**Additional child tax credit.** Report the amount from your parents' IRS Form 1040 — line 68 or 1040A — line 42.

**Welfare benefits (including Temporary Assistance for Needy Families [TANF]).**

Enter the total amount of welfare benefits your parents received, **including** TANF, in 2005. Report the amount they received for the year - not monthly amounts. Do **not** include the annual total value of the food stamps or subsidized housing.

Untaxed Social Security benefits for all household members as reported in Question 65. If Social Security benefits were paid to your parents on your behalf (because you were under 18 years old at the time), those benefits are reported as your parents' income in the parent column, not your income in the student column.

Your parents must report benefits received on behalf of persons included in their household size as their income. However, if a member of your parents' household, such as an uncle or grandmother, receives benefits in his or her own name, your parents do not report those benefits in the total parental income.

The actual amount of benefits received for the year in question must be reported, even if that amount represents an underpayment or an overpayment that may be compensated for in the next year. This parallels the IRS treatment of overpayments of taxable income (such as salary) that must be reported and are taxed as any other income.

**Question 79 – Worksheet B**

**Payments to tax-deferred pension and savings plans.** Your parents must report money paid **into** tax-sheltered or deferred annuities (whether paid directly or withheld from earnings), including—but not limited to—amounts reported on the W-2 Form, in Boxes 12a through 12d, codes D, E, F, G, H, and S. They must include untaxed portions of their 401(k) and 403(b) plans. Note that **employer contributions to tax- deferred pension and savings plans should not be reported** on the FAFSA as an untaxed benefit.

**IRA and other plans.** Enter the amount of IRA deductions and payments to self-employed Simplified Employee Pension (SEP), Savings Incentive Match Plan for Employees (SIMPLE), and Keogh and other qualified plans. These plan payments can be found on IRS 1040 — total of lines 28 + 32 or 1040A — line 17.

**Child support received.** Report child support your parents received for all children during 2005. Do not include foster care or adoption payments.

**Tax-exempt interest income.** Enter the total amount of tax-exempt interest income your parents earned in 2005, as reported on Form 1040 — line 8b or 1040A — line 8b.

**Foreign income exclusion.** The IRS allows eligible U.S. citizens and residents living in foreign countries to exclude a limited amount of income earned abroad. Though deducted for tax purposes, this amount is considered untaxed income for federal student aid

purposes. Provide the total amount of the foreign income exclusion your parents reported for 2005 from Form 2555 — line 43 or Form 2555EZ — line 18.

**Untaxed portions of IRA distributions.** This amount can be calculated from IRS Form 1040 (line 15a minus 15b) or 1040A (line 11a minus 11b). If the result is a negative number, enter zero.

**Untaxed portions of pensions.** This amount can be calculated from IRS Form 1040 (line 16a minus 16b) or 1040A (line 12a minus 12b). If the result is a negative number, enter zero.

The only **exception to reporting IRA or pension** distributions as income is when these **distributions are rolled over** to another IRA or retirement plan within 60 days following the day on which your parents receive the distribution from the initial IRA or retirement plan.

**Special fuels credit.** Enter the total amount of credit for federal tax on special fuels your parents reported in 2005, from IRS Form 4136 - line 15 (nonfarmers only).

**Housing, food, and other living allowances.** Housing, food, and other living allowances provided to your parents must be reported. These allowances must be reported when they are part of a compensation package that some people, particularly clergy and military personnel, receive for their jobs. Include cash payments and cash value of benefits. If your parents received free room and board in 2005 for a job that was not awarded as student financial aid, they must report the value of the room and board as untaxed income. (This category, "housing allowances," excludes rent subsidies for low-income housing.)

**Veterans' noneducation benefits.** Enter the total amount of veterans' **noneducation** benefits your parents received in 2005. Include Disability, Death Pension, Dependency & Indemnity Compensation (DIC), and/or VA Educational Work-Study allowances.

**Other untaxed income and benefits.** Your parents should include untaxed income or benefits not reported elsewhere on Worksheets A and B, such as worker's compensation, untaxed portions of railroad retirement benefits, untaxed portions of capital gains, Black Lung Benefits, Refugee Assistance, disability, foreign income that wasn't taxed by any government, etc. For parents whose W-2 Forms show combat pay, any untaxed portion of that pay must be reported on Worksheet B and the full amount must be reported as income earned from work. Do **not** include benefits from flexible spending arrangements (e.g., cafeteria plans), student aid, or Workforce Investment Act (WIA) (formerly JTPA) educational benefits.

**Money received.** Your parents should **not** report anything for this question.



Certain income and benefits should not be reported on Worksheets A and B:

- **Combat Pay for non-tax filers.** Parents who did not file a tax return must report any combat pay received as income earned from work in Question 76 or 77. None of it should be reported on Worksheet B. This is because income earned from work is used in place of adjusted gross income (AGI) for non-tax filers, so putting combat pay on Worksheet B in this case would yield a double-counting of funds.
- **Food stamps and other programs.** Benefits received from federal, state, or local governments from the following programs are not counted as untaxed income: the Food Stamp Program; Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); Food Distribution Program; Commodity Supplemental Food Program; National School Lunch and School Breakfast Programs; Summer Food Service Program; and Special Milk Program for Children.
- **Dependent Assistance.** Your parents may be eligible to exclude a limited amount of benefits received for dependent care assistance if certain requirements are met. Generally, up to \$5,000 of benefits may be excluded from an employee's gross income, or \$2,500 for a married employee who files a separate return from his or her spouse. This exclusion cannot exceed the employee's (or his or her spouse's) earned income. (Note: Some states provide reimbursement for childcare expenses incurred by welfare recipients through Temporary Assistance for Needy Families (TANF). Your parents must report this on the application because they bill the state for the amount of childcare costs incurred while on welfare and are reimbursed on that basis.)
- **Per capita payments to Native Americans.** Your parents should not report individual per capita payments received in 2005 from the Per Capita Act or the Distribution of Judgment Funds Act unless any individual payment exceeds \$2,000. Thus, if an individual payment were \$1,500, they would not report it on an application. However, if a payment were \$2,500, they would report the amount that exceeds \$2,000: \$500.
- **Heating/fuel assistance.** Exclude from consideration as income or resources any payments or allowances received under the Low-Income Home Energy Assistance Program (LIHEAP). (Note: Payments under the LIHEAP are made through state programs that may have different names.)

### Question 80 – Worksheet C

**Exclusions from taxed income.** Because the items listed in this worksheet will be excluded from income when the Department's processor performs the EFC calculation, your parents should **not** subtract them from their responses to the income questions in from Questions 55-83. These amounts should be calculated on the basis of what was received between January 1 and December 31, 2005 and not what was received during the school year.

**Education credits.** The Hope and Lifetime Learning tax credits benefit students or parents who pay tuition and related expenses for attendance at least half time in a degree-

granting program. These credits are subtracted directly from the total federal tax on a tax return. Enter the total amount of Hope and Lifetime Learning credits your parents received in 2005, from Form 1040 - line 50; 1040A - line 31. For more information about these tax credits, visit the IRS Web site at [www.irs.gov/pub/irs-pdf/p970.pdf](http://www.irs.gov/pub/irs-pdf/p970.pdf).

**Child support payments.** Report any child support payments your parents paid during 2005 because of divorce, separation, or legal requirement. Do not include support for children in your parents' household, as reported in the "number in household" question on the FAFSA (Question 65 for dependent students). For purposes of the FAFSA, a child is a member of your parents' household if your parents provide more than half of the child's support, whether the child lives with them or not.

**Taxable earnings from need-based employment programs.** These are earnings from any need-based employment programs including Federal Work-Study and need-based employment portions of fellowships and assistantships.

**Student grants and other awards.** Your parents should report any student grant and scholarship aid reported to the IRS in their AGI. This includes AmeriCorps benefits (awards, living allowances, and interest accrual payments), as well as grant and scholarship portions of fellowships and assistantships.

### **Questions 81-83 (Parent Asset Information Instructions)**

An asset is defined as property that has an exchange value. The purpose of collecting asset information is to determine whether your family's assets are substantial enough to support a contribution toward your cost of attendance (COA). Only the net asset value is counted in the need analysis. To determine the net value of any asset, you first determine the market value of the asset and reduce the value by the amount of debt against that asset. The result is the net value of the asset.

### **Ownership of an asset**

Ownership of an asset may be divided or contested in several situations:

- **Part ownership of asset.** If your parents own an asset with others and therefore only own a portion or percentage of the asset, they should report the net asset value that represents only their share of the asset owned. They would determine the current market value of the asset, reduce the value by any outstanding debt, and then multiply the net asset value by their ownership percentage. This result is then reported on the FAFSA.
- **Contested ownership.** An asset should not be reported if its ownership is being legally contested. For instance, if your parents are separated and they may not sell or borrow against jointly owned property that is being contested, the FAFSA information they report would not list any value for the property or any debts against it. If ownership of the asset is resolved after the initial application is filed,

they may not update this information. However, if ownership of the property is not being contested, they would report the property as an asset.

- **Lien against asset.** If there is a lien or imminent foreclosure against an asset, the asset would still be reported on the FAFSA until the party holding the lien or making the foreclosure completes legal action to take possession of the asset. If the status of the property changes after the application is filed, you may not update the asset information.

### **Assets that are not reported**

Below are examples of assets that are not reported:

- **Principal place of residence/family farm.** Your parents' principal place of residence is not reported as an asset. Neither is their family farm if the farm is their principal place of residence and they claimed on Schedule F of the tax return that they "materially participated in the farm's operation."
- **Personal possessions.** Do not report possessions such as a car, a stereo, clothes, or furniture. By the same token, personal debts such as credit card debt cannot be reported.
- **Pensions and Whole Life Insurance.** The cash value or built-up equity of a life insurance policy (often referred to as a whole-life policy) isn't reported as an asset. The income distributed to the beneficiary must be reported as income.
- **Excluded Assets From Native American Students.** Do not report any property received under the Per Capita Act or the Distribution of Judgment Funds Act (25 United States Code [USC] 1401, et seq.), the Alaska Native Claims Settlement Act (43 USC 1601, et seq.), or the Main Indian Claims Settlement Act (25 USC 1721, et seq.).

### **Investments**

**Rental properties.** Generally, rental properties must be reported as investment assets rather than as business assets. To be reported as a business, a rental property would have to be part of a formally recognized business. (Usually such a business would provide additional services, such as regular cleaning, linen, or maid service.)

**"Take-back" mortgages.** In a "take-back" mortgage, the seller takes back a portion of the mortgage from the buyer and arranges for the buyer to repay that portion of the mortgage to the seller. For IRS purposes, the seller must report the interest portion of any payments received from the buyer on Schedule B of IRS Form 1040. If an amount is reported on Schedule B, the family should report the outstanding balance of the remaining mortgage on the FAFSA as an investment asset.

**Trust funds.** If trust funds are in your parents' names, they should be reported as their asset on the application. In the case of divorce or separation, where the trust is owned jointly and ownership is not being contested, the property and the debt are equally divided between the owners for reporting purposes, unless the terms of the trust specify some other method of division.

How the trust must be reported varies according to whether your parents receive or will receive the interest income, the trust principal, or both. If your parents receive only interest from the trust, any interest received in the base year must be reported as income. Even if interest accumulates in the trust and is not paid out during the year, if your parents will receive the interest, they must report an asset value for the interest they will receive in the future. The trust officer can usually calculate the present value of interest they will receive while the trust exists. This value represents the amount a third person would be willing to pay to receive the interest income your parents will receive from the trust in the future.

The present value of the principal is the amount a third person would pay at present for the right to receive the principal when the trust ends (basically, the amount that one would have to deposit now to receive the amount of the principal when the trust ends, including the accumulated interest). Again, the trust officer can calculate present value. As a general rule, your parents must report the present value of the trust as an asset, even if their access to the trust is restricted as beneficiary/beneficiaries. If the creator of a trust has voluntarily placed restrictions on the use of the trust, then they should report the trust in the same manner as if there were no restrictions. However, if a trust has been restricted by court order, they should not report it as an asset. An example of such a restricted trust is one set up by court order to pay for future surgery for the victim of a car accident.

### **Pre-paid tuition plans**

Note that the value of a pre-paid tuition plan is excluded from being reported as an asset. (The value of the annual tuition prepayment will be taken into account when the school packages the students aid and will reduce his or her financial need.)

### **Parent Asset Information Questions**

If your parents are eligible to skip these questions, but choose to answer them on the Web or on paper, answering these questions will not affect your eligibility for Federal Student Aid, such as Federal Pell Grant.

**81. Total current cash on hand, and savings and checking account balances.** Include the balance of your parents' savings and checking accounts as of the date the FAFSA is completed. Do not include student financial aid.

**82. Net worth of investments.** Net worth means current value minus debt. Investments include real estate such as rental property, land, and second or summer homes. Do not include your parents' primary home. Include the value of portions of multifamily dwellings that you own, except that you must exclude the portion of the value of a dwelling that is your parents' principal residence. Investments also include trust funds, money market funds, mutual funds, certificates of deposit, stocks, stock options, bonds, other securities, Coverdell Education Savings Accounts (formerly Education IRAs) in your parents' names, college savings plans, installment and land sale contracts (including

mortgages held), commodities, etc. Do not include the value of life insurance and retirement plans (pension funds, annuities, non-Education IRAs, Keogh plans, etc.).

The money in a Coverdell Education Savings Account or a college savings plan is an asset of the account owner. A Coverdell Education Savings Account is not a retirement account. It is essentially a savings account to be used for a student's educational expenses. Therefore, if your parents own a Coverdell account or a college savings plan, they should report them here.

**Investment Value - Investment Debt = Net Worth of Investments**

If your parents own real estate or investments other than their principal residence, the value equals the amount they are worth today.

Investment debt equals how much your parents owe on real estate and investments other than their principal place of residence. Investment debt means only those debts that are related to the investments.

Subtract the amount of debt on these assets from their value. **Indicate this amount in Question 82 for net worth of investments.**

**83. Net worth of business and/or investment farm.** Business or farm value includes the current market value of land, buildings, machinery, equipment, inventory, etc. Do not include your parents' primary home.

**Business/Farm Value - Business/Farm Debt = Net Worth of Business/Farm**

For business or investment farm value, first figure out how much the business or farm is worth today. An investment farm is a farming business where the parents do not reside on the farm, nor do they materially operate the farm.

Business or investment farm debts are what your parents owe on the business or farm. Include only debts for which the business or farm was used as collateral.

Subtract the amount of debt from the value. **Indicate this amount in Question 83 for net worth of business and/or investment farm.**

To report current market value for a business, your parents must use the amount for which the business could sell as of the date of the application. Also, if your parents are not the sole owners of the business, they should report only their share of its value and debt.

**Questions 84 and 85 (Independent Students)**

If you answered, "Yes" to any of the dependency questions (48-54), you will need to respond to both of these questions.

**Purpose:** The number of family members you report determines the allowance that will be subtracted from your family's income to provide for basic living expenses when the Department's processor calculates your EFC. The number of family members in college directly affects your family's ability to contribute to your education costs. Your EFC is divided by the number of family members in college.

**84. Number in student's (and spouse's) household.** The following persons are included in the household size of an independent student:

- **You**
- **Your spouse**, excluding a spouse not living in the household as a result of death, separation, or divorce
- **Your children**, if they will receive more than half of their support from your household between July 1, 2006 and June 30, 2007
- **Your unborn child**, if that child will be born before July 1, 2007 and your household will provide more than half of the child's support from the projected date of birth to the end of the 2006-07 award year (June 30, 2007). (If there is a medical determination of a multiple birth, then all expected children can be included.)
- **Other people**, if they live with you and will receive more than half of their support from your household for the entire award year (July 1, 2006 through June 30, 2007)

To determine whether to include children in your household size, the "support" test is used (rather than a residency requirement) because there may be situations in which you support a child who does not live with you, especially in cases of divorce or separation. In such cases, the parent who provides more than half of the child's support may claim the child in his or her household size. It does not matter which parent claims the child as a dependent for tax purposes. If you receive benefits (such as Social Security or Temporary Assistance for Needy Families [TANF] payments) in the child's name, these benefits must be counted as parental support to the child.

Support includes money, gifts, loans, housing, food, clothes, car payments or expenses, medical and dental care, and payment of college costs.

**85. Number of college students in household.** This question asks about the number of household members who, in 2006-07, are or will be enrolled in a postsecondary school. Count yourself as a college student. Include others only if they will be attending at least half time during 2006-07 in an approved program that leads to a degree or certificate at a postsecondary school eligible to participate in any of the federal student aid programs.

#### **Questions 86-97 (School Codes and Housing Plans)**

**Purpose:** This section of the application allows you to list up to six schools that you are interested in attending. If you apply using FAFSA on the Web, you must list at least one school. The system offers a school code feature if you do not know the school code(s). If

you are completing a paper FAFSA and do not know the school code(s), you can call the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243) and they can give you that information to put on your application. We strongly encourage you to list the schools you are most interested in attending and from which you wish to receive financial aid.

The Department will send your information to all the schools listed. You should list each school's Federal School Code, which is explained in greater detail below. For purposes of federal student aid, it does not matter in what order you list the schools. However, to be considered for state aid, several states require you to list a state school first. Therefore, if you plan to list a state school in your state of residence as one of the schools in this section, you might want to list it first.

If you want information sent to more than six schools, there are several ways to make sure all the schools receive your data:

- You can give your Data Release Number (DRN), printed on the Student Aid Report (SAR) you receive after submitting your FAFSA, to a school you didn't list on your application. The school will use your DRN to get a copy of your application information electronically.
- You can list six schools on the application, wait for your SAR to arrive in the mail, and then correct the SAR by replacing some or all of the original six schools with other schools.
- You can call the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243) to request changes to the schools to which the SAR was sent. You must receive your SAR before requesting these changes.
- You can add or delete schools on your FAFSA using the Web at **[www.fafsa.ed.gov](http://www.fafsa.ed.gov)**. Select "Make Corrections to a Processed FAFSA." Your PIN is required to access this information.

The Department's processor will send data to only six schools at a time for one student. For example, if you originally listed six schools on the application and then replaced all six with new schools by changing your SAR, only the second set of six schools would get data from any corrections. If you made corrections to your FAFSA information at (or after) the time you listed the new schools, only the second set of schools would get the corrected data.

**Federal School Code.** The Department assigns a number called a Federal School Code to each school that participates in the federal student aid programs. For a school to receive your application data, you must list the school's Federal School Code. These codes are not in the FAFSA instructions; they are provided in the "Federal School Code List" that the Department sends to high schools, colleges, and public libraries each fall. The Department also makes this list available at **[www.fafsa.ed.gov](http://www.fafsa.ed.gov)**.

The Federal School Code begins with "0" (zero), "G," "B," or "E" and ends in five digits. **Foreign schools** may qualify to disburse aid, but some may not have Federal School Codes.

If you cannot get the Federal School Code, **indicate clearly** the complete name, **address, city, and state** of each college you are interested in attending. If a college is a branch campus, include the complete name of the branch. Also, indicate if it is a specific part of a university, such as the law school. Note, however, that your FAFSA will be processed faster if you provide the Federal School Code.

Either way, it is very important to indicate the correct Federal School Code, or-if not known-the full and correct name and address of the school so that it can be identified. By answering the questions in the school listing section and signing the FAFSA, you give permission to the U.S. Department of Education to provide your application information to the school(s) listed. Schools will use your FAFSA information to determine the amount of your financial aid package. You should not indicate the name of a school if you do not want it to receive your information. If you leave these questions blank, the Department will not send your application information to any schools.

**Housing plans.** For each school listed, indicate your housing plans by selecting the pull down menu on FAFSA on the Web or by filling in the oval (on the paper FAFSA) corresponding to your housing plans at that school—on campus, off campus, or with parents.

### **Question 98 (Enrollment Status)**

**98. Enrollment status.** A financial aid administrator (FAA) will look at your expected enrollment status as a factor in determining your financial aid package. If you change your enrollment status (such as from full time to half time), your FAA will adjust your award to reflect this change, depending on the timing of the change, how much aid is available, etc.

You should enter your expected enrollment status at the start of the 2006-07 school year. If applying to more than one school, you should provide the enrollment status and school terms that apply to the school you are most likely to attend.

For undergraduates, "full time" generally means taking at least 12 credit hours in a term or 24 clock hours per week. "Three-quarter time" generally means taking at least 9 credit hours in a term or 18 clock hours per week. "Half time" generally means taking at least 6 credit hours in a term or 12 clock hours per week. Fill in the appropriate oval on the paper FAFSA or select your status from the pull-down menu on *FAFSA on the Web*.

### **Signatures (Questions 99-103 on the paper FAFSA)**

**Purpose:** This part of the application asks for your signature, your parent's signature if you are a dependent student, and the date you completed the FAFSA. The questions are



numbered 99-103 on the paper FAFSA. If you are completing a *FAFSA on the Web* application, you can sign your application electronically using your PIN, prior to beginning the application or at the end of the application. If you choose not to sign electronically, you can print a signature page and, sign and mail it to the U.S. Department of Education. Dependent students will also need to provide a parent's signature. Parent's can electronically sign the application using their PIN or the parent can sign the student's printed signature page.

Shown below is the numbered order of the Questions as they appear on the paper FAFSA:

**99. Date this form was completed.** If you apply on paper, fill in the month and day spaces using 2-digit numbers, e.g., "04" for April. Then fill in the appropriate oval for the year. Note that all information you report on the FAFSA must be accurate as of the date you complete the form. If you apply online, you automatically provide this information once you submit the completed application for processing.

**100. Student and parent signatures.** Students and parents will be able to sign electronically within the *FAFSA on the Web* application. The applicant (and a parent of a dependent applicant) must either use his or her PIN to provide an electronic signature on *FAFSA on the Web* or *Renewal FAFSA on the Web* or print out, sign, and submit a signature page, or (if completing a paper FAFSA) sign that FAFSA. If the proper signatures are not provided, the application will be entered into the processing system awaiting the proper signature(s). If the processor does not receive the signature(s) within 14 days, it will send the applicant a SAR showing the applicant was rejected for lack of signature(s). If the applicant (or parent, if applicable) signs the SAR and sends it back to us, processing will continue.

You (and anyone else who signs the form) certify that all information on the form is correct and that those who signed are willing to provide documents to prove that the information is correct. This information may include U.S. or state income tax forms that you filed or are required to file. You also certify that you will use federal and/or state student financial aid only to pay the cost of attending an institution of higher education, that you are not in default on a federal student loan or have made satisfactory arrangements to repay the loan, that you will notify your school if you default on a federal student loan, that you do not owe money back on a federal student grant or-if you do-have made satisfactory arrangements to repay it, and that you will not receive a Federal Pell Grant for attendance at more than one school for the same period of time.

#### **Giving permission to state agencies to obtain income tax information and certifying your application data**

By electronically signing *FAFSA on the Web* or signing the paper FAFSA, you also give permission to the state financial aid agency to which information is being sent to obtain income tax information for all persons required to report income and for all periods reported on this form. Finally, by electronically signing *FAFSA on the Web* or signing the

paper FAFSA, you are certifying that the data you are providing the Secretary of Education is true and accurate as of the date signed. The Higher Education Act provides that the Secretary can verify certain student and parental data with the Internal Revenue Service (IRS) and other federal agencies to insure its accuracy.

You cannot submit a 2006-07 *FAFSA on the Web* application before January 1, 2006. Nor should you sign, date, or mail the paper version of the FAFSA before January 1, 2006. Note, that if you sign and submit the FAFSA before that date, we will process it (put it in the system), but you will receive a rejected SAR.

### **Understanding the proper use of a PIN**

When you sign electronically, you select your application year, enter your PIN information, and indicate you are a student before submitting the application. One of your parents signs electronically by selecting the application year, entering parental PIN information, indicating they are a parent, and identifying the person for whom they are electronically signing. Neither you nor your parents should share your or their PINs with anyone. In addition, only the person providing the data should sign the application.

Note that if you (or a parent, if you are dependent) sign electronically any document related to the Federal Student Aid Programs using a PIN, you certify that you are the person identified by that PIN and have not disclosed that PIN to anyone else.

### **Alternatives to a parental signature**

Although parental information must be provided for a dependent student, a high school counselor or a postsecondary school's financial aid administrator (FAA) may sign the application in place of your parents in the following limited cases:

- Your parents are **not** currently in the U.S. and cannot be contacted by normal means.
- Your parents' current address is not known.
- Your parents have been determined physically or mentally incapable of providing a signature.

Your parents' unwillingness to sign the FAFSA or provide financial information is not, in and of itself, a reason for the FAA to sign your FAFSA in place of them.

If your counselor or FAA signs the paper FAFSA in place of your parents, he or she should provide his or her title when signing and briefly state the reason (only one reason is needed) why he or she is signing for your parents. By signing your application, however, your counselor or FAA does not assume any responsibility or liability in this process. If a financial aid office finds any inaccuracies in the information reported, you will have to submit corrections on paper, on the Web, or through the financial aid office.

If you complete a *FAFSA on the Web* application and need a counselor to sign in place of your parent, you will need to either print a signature page or wait to receive a SAR. (Note, however, that waiting for a SAR will delay the processing of the application.)

**101-103. Preparer's name/Social Security number (SSN)/signature and date.** The law requires that if anyone other than you, your spouse, or your parents prepares the application, then the preparer must write in his or her name, the firm/company name (if applicable), the firm/company address, and either the firm/company's Employer Identification Number (EIN) (as assigned by the IRS) or the preparer's SSN. A tax preparer can also use an IRS-provided Preparer Tax Identification Number (PTIN) in lieu of using the preparer's SSN for privacy protection. Question 103 (**Preparer's signature and date**) appears only on the paper FAFSA.

High school counselors, FAAs, and others who help students with their paper applications by actually filling out line items on the form or dictating responses to items on the form are considered preparers, even if unpaid for their services.